



SUZLON



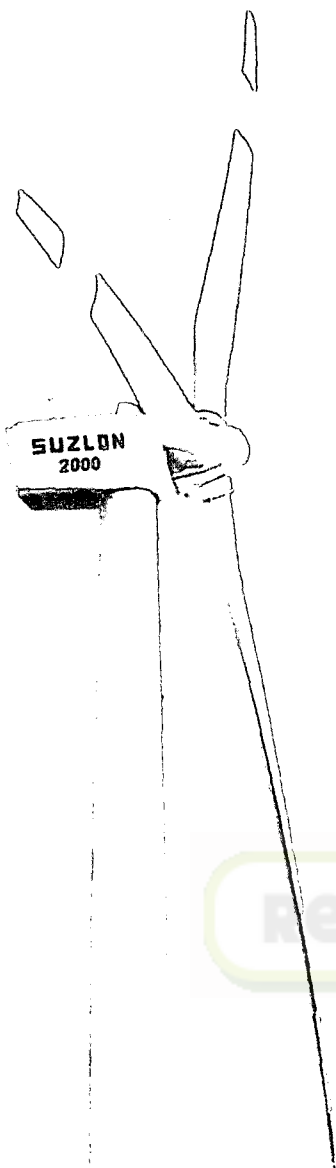
POWERING A GREENER TOMORROW

# SUZLON ENERGY LIMITED



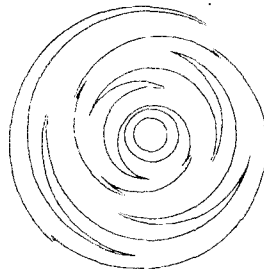
10th ANNUAL REPORT 2004-05

[www.reportjunction.com](http://www.reportjunction.com)

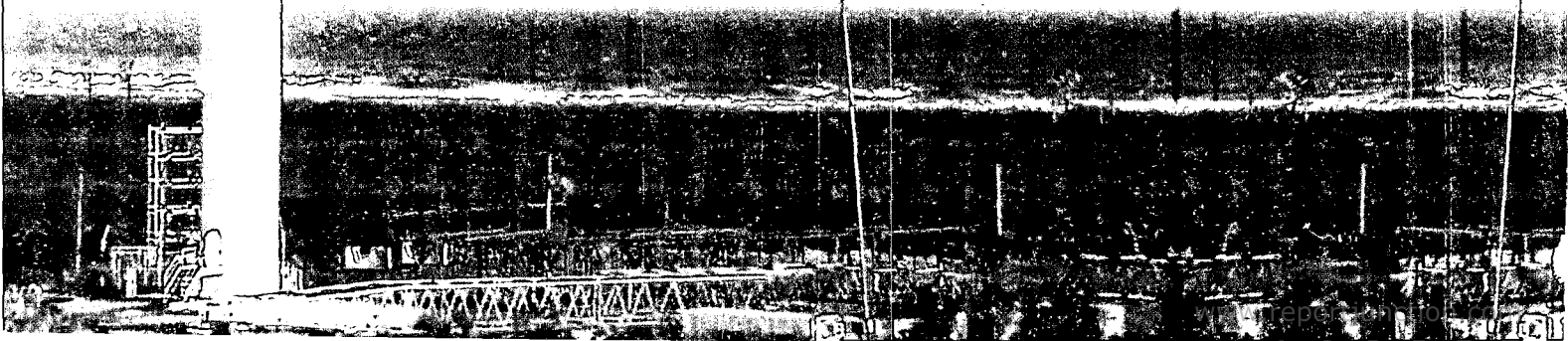


To be INNOVATIVE is to be creative enough to live with the changes that time brings. To come to terms with altering market realities. To pioneer markets where none exist. To sustain calculated risks. To integrate the company and its people into a wholeness. And to be competitive enough to bridge past, present and future with a common thread.

It is our mantra, and our stimulus for growth



We are because we INNOVATE



# SUZLON ENERGY LIMITED



## Company Information

### BOARD OF DIRECTORS

Tulsi R. Tanti	Chairman & Managing Director
Vinod R. Tanti	Director (Operations) (resigned w.e.f. July 1, 2005)
Girish R. Tanti	Director (International Operations)
Balrajsinh A. Parmar	Director (Projects) (resigned w.e.f. July 1, 2005)
Ajay Relan	
Ashish Dhawan	
Pradipkumar Khaitan	

### COMPANY SECRETARY

Hemal A. Kanuga

### AUDITORS

SNK & CO.  
111, Nalanda Enclave,  
Pritamnagar, Ellisbridge,  
Ahmedabad - 380 006.

S.R. Batliboi & Co.  
The Metropole, F-1,  
1st Floor, Bund Garden Road,  
Pune - 411 001.

### BANKERS

State Bank of India	Bank of Maharashtra	Indian Overseas Bank
IDBI Bank Ltd.	State Bank of Hyderabad	State Bank of Bikaner & Jaipur
ING Vysya Bank Ltd.	UTI Bank Ltd.	Standard Chartered Bank
Punjab National Bank	Bank of Baroda	Deutsche Bank AG
State Bank of Indore	State Bank of Patiala	

### REGD. OFFICE

'Suzlon'  
5, Shrimali Society, Near Shri Krishna Complex, Navrangpura,  
Ahmedabad - 380 009.  
Tel. : (079) 26471100  
Fax : (079) 26565540

### CORPORATE OFFICE

5th Floor, Godrej Millennium,  
9, Koregaon Park Road,  
Pune - 411 001.  
Tel. : (020) 26202000  
Fax : (020) 26202100

### BRANCH OFFICES

Bangalore	Chennai
Coimbatore	Hyderabad
Indore	Jaipur
Mumbai	New Delhi
Rajkot	Surat
Thiruvananthapuram	Vadodara
Beijing, China	

# SUZLON ENERGY LIMITED



## Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting herewith the Tenth Annual Report and Audited accounts for the year ended March 31, 2005.

### FINANCIAL RESULTS

	<i>Rs. in millions</i>	
Particulars	2004-05	2003-04
Sales including Other Income.....	19,407.66	8,048.91
Profit before Interest, Depreciation, P & P Expenses W/Off and Exceptional items (EBITDA) .....	4,727.81	1,573.94
Less: Interest.....	413.00	256.84
Less: Depreciation.....	389.66	96.54
Less: P & P W/Off .....	0.62	0.32
Profit before Taxation and Exceptional Items .....	3,924.53	1,220.25
Add: Exceptional items .....	0.00	266.93
<b>Profit Before Taxation.....</b>	<b>3,924.53</b>	<b>1,487.18</b>
Less: Provision for Current Taxation .....	480.00	130.00
Provision for Deferred Taxation ...	(170.76)	(94.05)
Earlier Years adjustments for Tax .	0.61	(7.77)
<b>Net Profit .....</b>	<b>3,614.68</b>	<b>1,459.00</b>
Balance brought forward .....	3,066.31	2,383.44
<b>Profit available for appropriations..</b>	<b>6,680.99</b>	<b>3,842.44</b>
Interim Dividend on Equity Shares .....	231.84	73.04
Proposed Dividend on Equity Shares ..	115.92	170.44
Dividend on Preference Shares .....	15.08	0.90
Tax on Dividends .....	48.67	31.75
Transfer to General Reserve .....	1,000.00	500.00
Balance Carried Forward to Balance-Sheet.....	5,269.48	3,066.31

### DIVIDEND:

An Interim Dividend of Rs. 4.00 per Equity Share (40% on par value of Rs. 10.00) absorbing a sum of Rs. 231.84 millions was paid in December 2004. In view of the outstanding performance of the Company, the Board is pleased to recommend a Final Dividend of Rs. 2.00 per Equity Share (20% on par value of Rs. 10.00) absorbing a sum of Rs. 115.92 millions for the financial year 2004-05 subject to the approval by the shareholders at the ensuing Annual General Meeting.

The total dividend payout ratio (total dividend as % of profit after tax) for the year 2004-05 is 10.04% (previous year 16.75%).

### PROPOSED INITIAL PUBLIC OFFER:

The Company proposes an Initial Public Offering during the current financial year 2005-06, to further strengthen the Company's financial position and to garner resources to accelerate future growth plans. Your Directors believe that the listing of our Equity Shares will enhance our visibility and brand Value.

### BUSINESS OVERVIEW:

Your Company had an excellent year, with significant growth in sales and profits. The Company created a new benchmark by achieving gross revenues of over Rs. 19,407.66 millions and profit after tax of Rs. 3,614.68 millions, registering 142.37% growth in turnover and 147.75% growth in net profit after taxes as compared to the previous year.

The Company continues to enjoy leadership position in India in terms of annual installations and cumulative installations. The Company has cumulative global sales of 1,491 Wind Turbine Generators with total capacity of 1,128.59 MW as at March 31, 2005. In India, the Company has market leadership across the states of Tamilnadu, Karnataka, Rajasthan, Gujarat, Maharashtra, Andhra Pradesh and Madhya Pradesh.

Your Company is ranked sixth in the world for installations during the calendar year 2004 and India became the third largest market for wind power in the world for the calendar year 2004 (BTM Consult Aps, March, 2005).

The excellent performance of the Company is attributed to continued economic growth, continuous shortage of electricity in India, increasing demand for wind power, expansion of our capacities and induction of growth capital of Rs. 2,000 millions from private equity investors during the year

# SUZLON ENERGY LIMITED



The global cumulative installations reached 47,912 MW by the end of 2004. The forecast for 2005 to 2009 indicates an average growth rate of 16.6% p.a for new installed capacity, and cumulative installations in the world will have reached 117,142 MW by the end of 2009. (BTM Consult Aps, March, 2005). The Indian Wind Sector is expected continue to grow, given the shortage and rising demand of power and strong emphasis by the government on the promotion of the sector.

The Company has taken steps across the various markets in India. The Company is targeting to enhance its sales with exports across various markets like the United States of America, China and Australia. In this direction, the Company has established its global marketing headquarters at Aarhus in Denmark and recruited leading talent from the wind energy sector to facilitate increased penetration in the global market.

Your Directors believe that your Company will continue to enhance its market position as a result of some of the following initiatives:

- Enhanced manufacturing capabilities.
- Wide geographical spread across the country and globally.
- Wide range of successful models and development of newer models.
- Continuous R&D, Product Development and Up-gradation in WTG and its components.
- Focused vertical integration to enhance the value chain, secure the timely deliveries and enhance the breadth of technological knowledge pool at component level.
- Strong trained, dedicated and motivated human asset base in India and abroad.
- Successful implementation of Enterprises Resource Planning ('ERP') through SAP and strengthened internal business processes.

## RECOGNITION IN THE GLOBAL MARKET PLACE:

Your Directors are happy to report that the Company has been ranked sixth in terms of annual installations in the "World Wind Turbine Manufacturers" list for the year 2004 published by BTM Consult Aps, March, 2005.

## CAPITAL EXPENDITURE:

Your Directors believe that cost competitiveness, backward integration, control over supply chain and efficiencies in working capital are the drivers for the growth of scale in the coming years. In this direction, your Company proposes to set-up various manufacturing units near its markets:

- Manufacturing facilities in Gujarat for rotor blades and for tooling for rotor blades and nacelle cover.
- Manufacturing facility in Daman for nacelle cover.

- Manufacturing facilities in Maharashtra for rotor blades.
- Manufacturing facilities in Andhra Pradesh for manufacturing of WTG tower.
- Additional storage facilities at Pondicherry to smoothen the manufacturing.
- Manufacturing facilities for forged components.
- Integrated Manufacturing Facilities for rotor blades, nacelle cover and WTGs in China.
- Manufacturing facilities in USA for rotor blades and WTG tower.

The expansion of business requires investments in infrastructure and offices. The Company proposes to set-up a Corporate House and a Corporate Learning Centre at Pune and new office at New Delhi.

## JOINT VENTURE COMPANIES:

Your Company has entered into joint ventures for the manufacturing of generators and tabular towers.

A joint venture company with Elin EBG Motoren GmbH, Austria, with their stake of 25% has been formed in the name of Suzlon Generators Private Limited with manufacturing facilities being set up near Pune.

A joint venture company with Kalthia Group, with their stake of 25%, has been formed in the name of Suzlon Structures Private Limited ('SSPL'). The manufacturing facility is located at Gandhidham, Gujarat. The unit has already commenced commercial production.

## SUBSIDIARY COMPANIES:

International Research & Development ('R&D') Subsidiaries of the Company, viz., AE-Rotor Holding B.V., AE-Rotor Techniek B.V., Suzlon Energy B.V. in the Netherlands and Suzlon Energy GmbH in Germany are the backbone of the integrated global operations of the Company with continued focus on cost competitiveness through commercial exploitation of R&D efforts.

To accelerate the global marketing operations, the Company has incorporated a wholly owned subsidiary in the name of Suzlon Energy A/S in Denmark. The Company has sold its investments in erstwhile subsidiaries, viz., Suzlon Wind Energy Corporation, USA and Suzlon Energy Australia Pty Ltd to Suzlon Energy A/S and hence these subsidiaries are now step down subsidiaries of the Company. Suzlon Wind Energy Corporation has a wholly owned subsidiary Cannon Ball Wind Energy Park - 1, LLC.

In terms of the approval granted under Section 212(8) of the Companies Act, 1956 by the Ministry of Company Affairs, Government of India vide its letter No.47/71/2005-CL-III dated March 28, 2005, copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the above referred foreign subsidiaries have not been



# SUZLON ENERGY LIMITED



attached with the Balance Sheet of the Company. The Company will make available these documents / details upon request by any member of the Company interested in obtaining the same. Also, the annual accounts of the foreign subsidiary companies would be available for inspection by any member at the Corporate Office of the Company at Godrej Millennium, 5th Floor, 9, Koregaon Park Road, Pune - 411 001. However, pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes the financial information of its subsidiaries.

Suzlon Structures Private Limited and Suzlon Generators Private Limited, the joint venture companies and Suzlon Windfarm Services Limited became subsidiaries of the Company during the year under review. Suzlon Green Power Limited, the wholly owned subsidiary continued to perform satisfactorily. The audited accounts of the said subsidiaries along with the statement required under Section 212 of the Companies Act, 1956 are annexed.

Subsequent to the Balance Sheet date the Company has acquired 100% stake in Suzlon Gujarat Wind Park Limited and Suzlon Power Infrastructure Private Limited. Apart from above, the Company also intends to take over Sarjan Engitech Private Limited, which is engaged in the business of job working of various engineering products.

## RESEARCH AND DEVELOPMENT:

Your Company believes that continuous technological development is one of the key drivers of the business. The Company focuses on the continuous Research and Development activities through its R&D subsidiaries at The Netherlands and Germany and in India by employing the best global talent in the industry.

Your Company continuously strives for cost optimisation for its existing products/ models.

This year saw increased sales for our mega-watt class of 1250 kW. After successfully developing the multi mega-watt series of 2000 kW model, the Company recently developed 600 kW model to cater requirement of niche market segments and is in process of developing a 1500 kW model.

## INTERNAL CONTROL SYSTEM:

Your Directors believe that the Company has a sound Internal Control System ensuring efficient use of resources, safeguarding its resources and rights, recording and reporting transactions accurately, adhering to accounting standards and policies, internal management guidelines and circulars. The internal control system is further supplemented by internal audit carried out by qualified professionals, which is periodically reviewed by the management and the Audit Committee.

## FINANCE:

The business of the Company being working capital intensive in nature, finance is the key driver to this sector. A judicious mix of capital and debt financing denominated in rupee and foreign currency is followed. Risk Management Systems are in place. Cost optimisation, treasury and cash management is a continuous process. The working capital finance is availed from a consortium of Bankers at the rates offered to top rated customers.

## HUMAN ASSETS:

The Company continues to believe that people are key drivers for sustainable growth and wealth creation. Your Directors believe that the Company has created a favourable work environment and will strive to become an "Employer-of-Choice" with a clear focus on high productivity.

In pursuance of this vision, the Company is employing several strategic HR initiatives. The Company has put in place a recruitment and Human Resource Management Process, which facilitates it to attract and retain qualified employees.

The Company believes in investing in people competencies for meeting future requirement. It provides training for enhancing the productivity and competency level with the best performance management practices for performance assessment, improvement, reward and compensation levels.

At the Company, the key focus has been to change the mindset from "Human Resources Utilisation" to "Nurturing and Leveraging Talent". Towards this goal, it focuses on providing employees with a good work environment and communication of the cultural values and beliefs.

The Company has instituted ESOP 2005 to reward and help retain our employees and to enable them to participate in our future growth.

## QUALITY:

Your Company firmly believes that pursuit of excellence is one of the most critical components for competitive success in national and international markets. Quality is an integral part of everything that we do in the Company. Your Company strives to deliver Quality Products to its customers with long-term maintenance free performance. Strict quality standards, third party controls and checks at all manufacturing stages help to ensure the best performance of the products manufactured.

Your Company has ISO 9001 Quality Certifications from the world-renowned DET Norske Veritas ('DNV') for the Wind Turbines Generators and rotor blades.

## DEPOSITS:

During the year, the Company has not accepted any Deposits within the meaning of the provisions of Section 58A of the Companies Act, 1956.

# SUZLON ENERGY LIMITED



## DIRECTORS:

Shri Tulsi R. Tanti and Shri Girish R. Tanti, the Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Shri Vinod R. Tanti and Shri Balrajsinh A. Parmar have resigned from the directorship of the Company with effect from July 1, 2005. The Board expresses its appreciation for the valuable services rendered and matured advice provided by them during their association with the Company.

## DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2005 and of the profit of the Company for the year ended on that date;
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors had prepared the annual accounts on a going concern basis.

## EMPLOYEES' STOCK OPTION PLAN 2005 ('ESOP - 2005'):

We have instituted ESOP-2005 to reward and help retain our employees and to enable them to participate in our future growth and financial success. ESOP-2005 includes provision for the grant of options to employees of the Company and its subsidiaries except the Danish subsidiary and its step down subsidiaries. The following table sets forth the particulars of options granted under the ESOP-2005 as approved by the shareholders in the Extraordinary General Meeting of the Company dated June 16, 2005:

A. Options Granted	921,000
B. Exercise Price	50% of the Issue Price or 50% of fair value as on March 31, 2006 as determined by Independent valuer in case of IPO not happening by that date.

C. Options vested and exercised	Nil
D. Total number of Equity Shares Arising as a result of exercise of options	921,000
E. Options for feited /lapsed	Nil
F. Variation in Terms of options	Nil
G. Money realised by exercise of options	Nil
H. Total Number of options in force	921,000
I. Dilution in EPS	Not applicable as no options have been granted as on the date of Balance Sheet.
J. Employees receiving 5% or more of the total options granted	Nil

Person-wise details of options granted to senior managerial persons of the Company and its subsidiaries:

Name	Position	Stock Options Granted
Ishwar Chand Mangal	Head - Business Development, North	40,000
Kirti Vagadia	Head - Corporate Finance	40,000
Praful C. Mehta	Head - Purchase	40,000
R. Sridhar	Head - Supply Chain Management	40,000
Toine van Megen	Vice President - International Corporate Cell	10,000
Nilesh Vaishnav	Head - O&M, Suzlon Windfarm Services Limited	26,000
T. Pradeep Kumar	Head - Strategic Business Unit, Suzlon Generators Pvt. Ltd.	10,000
T. Spehr	Head - WTG Design (Germany), Suzlon Energy GmbH	30,000
William Verheij	Head - Rotor Blade R&D (The Netherlands), AE-Rotor Techniek B.V.	15,000

The impact on profits and Earnings per Share cannot be ascertained at this stage in view of the fact that exercise price will be decided at the time of fixation of exercise price as mentioned above.



## SUZLON ENERGY LIMITED

### PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 are set out hereunder.

#### Conservation of Energy:

The operations of the Company are not energy intensive. However, energy conservation is a priority area for the Company. Company's continued efforts to reduce and optimise the use of energy consumption have shown positive results. Better controls are planned to achieve further reduction in energy consumption. All the new manufacturing units of the Company are equipped with hi-tech energy monitoring and conservation system to monitor the usage, minimise wastage and increase overall efficiency at every stage of consumption of power.

#### Power and Fuel Consumption:

Particulars	2004-05	2003-04
<b>Electricity</b>		
(a) Purchased units	28,86,538	11,72,401
- Total Amount (Rs.)	93,10,278	35,25,775
- Rate / Unit (Rs.)	3.23	3.01
(b) Through Diesel Generator		
- Units Generated	2,52,447	1,88,372
- Total Amount (Rs.)	18,24,894	16,34,875
- Fuel Cost/Per Unit	7.23	8.68

#### Technology Absorption:

The Company continues to have an ISO 9001 certification by DNV for design, development and manufacture and supply of Wind Turbine Generators and Rotor Blades. Constant research and development for upgradation of technology, designing of components and indigenous development of components have not only reduced dependence on imports but have also increased the power generation from its Wind Turbine Generators at optimum levels. The Wind Turbine Generators of the Company have been operating successfully in the coastal region of Gujarat, hilly terrains of Maharashtra, high wind sites in Tamil nadu, deserts in Rajasthan and the extremely cold climates in the United States of America.

#### Foreign Exchange Used and Earned:

Particulars	Rs. in millions	
	2004-05	2003-04
(a) Total Foreign Exchange Used	7,689.16	3,520.09
(b) Total Foreign Exchange Earned	27.96	363.16

#### PARTICULARS OF EMPLOYEES:

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexure to this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all the Shareholders of the Company excluding the aforesaid information. Any Shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

#### AUDITORS:

M/s. SNK & Co., Chartered Accountants, Ahmedabad, the Statutory Auditors of the Company retires at the ensuing Annual General Meeting of the Company and has confirmed their eligibility and willingness to accept office, if re-appointed. In view of the increase in the size of the Company the Board recommends appointment of M/s. S.R. Batliboi & Co., Chartered Accountants, Pune as joint Statutory Auditors of the Company.

#### ACKNOWLEDGEMENT:

The Directors wish to place on record the whole-hearted co-operation and continued support received from Government and Semi-Government agencies especially from Ministry of Non-conventional Energy Sources ('MNES'), all State Level Nodal Agencies and all State Electricity Boards.

The Directors are extremely thankful to all the Bankers and Financial Institutions for their unstinting and consistent support and confidence to the Company. The Board places on record its appreciation of continued support provided by the valued Customers, Suppliers, Equipment Vendors and Consultants.

The Directors also acknowledge the hard work, persuasive and unstinting efforts put in by the employees of the Company in carrying forward Company's mission. The enthusiasm and continuous efforts of the employees have enabled the Company to establish itself as a global player despite stiff competition. The Directors also express their gratitude to the Shareholders for their continuing confidence in the Company.

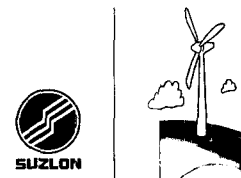
For and on behalf of the Board

Place : Mumbai  
Date : June 24, 2005

Tulsi R. Tanti  
Chairman & Managing Director



# SUZLON ENERGY LIMITED



## Management's Discussion and Analysis

### A. INDUSTRY DEVELOPMENTS

Annual Wind Energy Installations in India recorded a growth of 81% in FY 2004-05 from 615 MW in FY 2004 to 1,112 MW in FY 2005. India remained third largest wind power market in the world in 2004 in terms of annual wind energy installations. The total installations in India as on March 31, 2005 is 3594.80 MW up from 2000 MW on March 31, 2004. The industry growth rate was supported by a strong economy and robust industrial growth.

We believe that the Indian Wind Sector is expected to continue to grow, given the shortage and rising demand of power and strong emphasis by the government on the promotion of the sector.

The global cumulative installations reached 47,912 MW by the end of 2004. The forecast for 2005 to 2009 indicates an average growth rate of 16.6% p.a for new installed capacity, with cumulative installations in the world will have reached 117,142 MW by the end of 2009. (BTM Consult Aps, March, 2005).

### B. OPPORTUNITIES AND THREATS

#### Key opportunities include

- Increase in demand of Power in India
- Increasing penetration of Wind Power
- Implementation of the Electricity Act 2003 and the Mandates for renewable in various states in India
- Increasing breadth of Wind Power globally
- Technological developments leading to further cost competitiveness of Wind Power

#### Key threats include

- Reduction of regulatory supports
- Emergence of more competitive sources of energy
- Potential entrants increasing competitive pressure

### C. REVIEW OF THE FINANCIAL PERFORMANCE / OPERATIONS

The financial statements have been prepared in accordance with the requirements of the Companies Act 1956 and Generally Accepted Accounting Principals ('GAAP'). There are no material departures in adoption of the prescribed accounting standards.

The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis in order that the financial statements reflect in a true and fair manner, the form and substance of transactions and reasonably present the Company's state of affairs and profit for the year.

#### Overview

The sales volume has increased by 128.13% from 222.55 MW in FY 2003-04 to 507.70 MW in FY 2004-05. The strong performance of the Company is attributed to continued economic growth, continuous shortage of electricity in India resulting in increase in demand for wind power, ability to supply wind turbines to customers due to the expansion our capacities and induction of growth capital of Rs. 2,000 millions from private equity investors during the year.

# SUZLON ENERGY LIMITED



Summarized Profit and Loss Account for the last 2 years as per Indian GAAP on standalone basis:

Rs. in millions

	2004-05		2003-04		Growth
	Amount	%	Amount	%	%
<b>Income</b>					
Sales	19,175.03	98.80	7,911.51	98.29	142.37
Other Income	232.63	1.20	137.40	1.71	69.31
<b>Total Income</b>	<b>19,407.66</b>	<b>100.00</b>	<b>8,048.91</b>	<b>100.00</b>	<b>141.12</b>
<b>Expenditure</b>					
Cost of Goods Sold	11,414.54	58.81	5,030.85	62.50	126.89
Operating and Other Expenses	2,912.12	15.01	1,267.54	15.75	129.75
Employees' Remuneration and Benefits	353.19	1.82	176.57	2.19	100.03
<b>EBITDA</b>	<b>4,727.81</b>	<b>24.36</b>	<b>1,573.94</b>	<b>19.55</b>	<b>200.38</b>
Financial Charges	413.00	2.13	256.84	3.19	60.80
Depreciation	389.66	2.01	96.54	1.20	303.63
Preliminary Expenditure Written Off	0.62	—	0.32	—	93.75
<b>Profit Before Tax &amp; Exceptional Items</b>	<b>3,924.53</b>	<b>20.22</b>	<b>1,220.25</b>	<b>15.16</b>	<b>221.62</b>
Exceptional Items (Income)	—	—	266.93	3.32	(100.00)
<b>Profit Before Tax</b>	<b>3,924.53</b>	<b>20.22</b>	<b>1,487.18</b>	<b>18.48</b>	<b>163.89</b>
Current Tax	480.00	2.47	130.00	1.62	269.23
Deferred Tax	(170.76)	(0.88)	(94.05)	(1.17)	81.57
Income Tax for earlier years	0.61	—	(7.77)	(0.10)	(107.85)
<b>Profit After Tax</b>	<b>3,614.68</b>	<b>18.63</b>	<b>1,459.00</b>	<b>18.13</b>	<b>147.75</b>

## Total Income

Sales increased by 142.37% from Rs. 7,911.51 millions (or 98.29% of total income) in FY 2003-04 to Rs. 19,175.03 millions (or 98.80% of total income) in FY 2004-05 primarily due to increased volume and better sales realizations. The geographical reach of the Company had increased to seven states with increased sales in Karnataka.

Other income increased from Rs. 137.40 millions in FY 2003-04 to Rs. 232.63 millions in FY 2004-05 primarily due to increase in interest income and dividend.

## Cost of Goods Sold

In absolute terms our cost of Goods sold has increased however, there is a reduction as a percentage of Total Income. This was due to economies of scale attributable to our increased production, as well as improvements and upgrades made to the technical design and specifications of our WTGs that served to lower manufacturing costs.

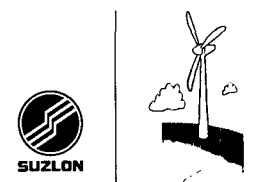
## Operating and Other Expenses

The increase in absolute terms is primarily due to increase in Guarantee and Warranty expenses on account of increased WTG sales and change in basis of estimation of Guarantee liabilities. However, there is reduction as a percentage of Total Income due to reduction in logistic costs and absorption of other operating expenses of fixed and semi-fixed nature over larger volumes.

## Employees' Remuneration and Benefits

The increase in employee remuneration and benefits was primarily due to increase in number of employees and regular rise in salaries and performance bonus paid to employees. Increase in manufacturing units and increased geographic spread has contributed to the increase in head count.

# SUZLON ENERGY LIMITED



## EBITDA

The EBITDA grew by 200.38% against 142.37% growth in sales revenue. The growth in EBITDA is primarily on account of our increased WTG sales in fiscal 2005, the improvement in the price per MW of capacity sold and the decline in our cost of goods sold and other operating expenses as a percentage of total income.

## Finance Charges

The financial charges in absolute terms have increased due to increased borrowings to cater the volume growth. As a percentage of total income, finance charges have declined due to improvements in our management of working capital requirements and in the rupee and foreign currency mix of our borrowings. We also benefited from the equity financing obtained from the Private Equity Investors, which served to reduce our dependence on bank financing during fiscal 2005.

## Depreciation

The increase in Depreciation expense is primarily due to increased fixed assets, full year depreciation on Pondicherry and Daman plants and change in estimates of useful lives of some of the assets.

## Profit Before Tax ('PBT')

PBT increased by 221.62% from Rs. 1,220.25 millions (or 15.16% of Total Income) in FY 2003-04 to Rs. 3,924.53 millions (or 20.22% of Total Income) in FY 2004-05.

## Provision for Tax

The increase in Current tax is mainly on account of partial expiry of tax holiday u/s 80IB of Income Tax Act 1961 ('IT Act') for one of our manufacturing units and normal tax on Other Income. Deferred Tax income is arising due to timing difference of provisions for Maintenance Warranties and Guarantees offered for taxation, as the same are not allowable as per IT Act.

## Profit After Tax ('PAT')

PAT increased by 147.75% from Rs. 1,459.00 millions (or 18.13% of Total Income) in FY 2003-04 to Rs. 3,614.68 millions (or 18.63% of Total Income) in FY 2004-05.

## D. REVIEW OF BALANCE SHEET

### Shareholders Funds

Equity Share Capital as on March 31, 2004 was Rs. 243.48 millions, which increased during the year due to (i) fresh issue of Equity Shares of Rs. 46.26 millions to private equity investors at a premium of Rs. 953.74 millions and (ii) issue of bonus shares aggregating to Rs. 579.49 millions by capitalizing Securities Premium Account.

Preference Share Capital increased during the year by Rs. 1,000 millions due to issue of new series of Preference Shares to private investors.

The total Reserves and Surplus increased by Rs. 3,501.69 millions from Rs. 3,774.80 millions as on March 31, 2004 to Rs. 7,276.49 millions as on March 31, 2005, which was mainly due to profits ploughed back during the year and receipt of share premium on fresh issue.

### Loan Funds

The total Loan Funds have increased by Rs. 1,018.81 millions from Rs. 2,206.59 millions as on March 31, 2004 to Rs. 3,225.40 millions as on March 31, 2005. The increase is mainly due to unsecured working capital borrowing from Landesbank Baden Wuttermberg and increase in Secured Working Capital borrowings to meet the increased working capital requirements.

### Fixed Assets

The total Fixed Assets (Gross Block) have increased by Rs. 587.95 millions from Rs. 1,590.85 millions as on March 31, 2004 to Rs. 2,178.80 millions as on March 31, 2005. The increase (net of disposals during the year) in Fixed Assets comprised of Land Rs.50.93 millions, Buildings Rs. 47.12 millions, Plant and Machinery Rs. 339.23 millions, SAP Package Rs. 65.64 millions and Other Assets Rs. 85.03 millions.

# SUZLON ENERGY LIMITED



## Current Assets, Loans and Advances

The total Current Assets, Loans and Advances have increased by Rs. 8,289.57 millions from Rs. 8,061.46 millions as on March 31, 2004 to Rs. 16,351.03 millions as on March 31, 2005. The increase mainly comprised of Inventories Rs. 2,928.75 millions, Sundry Debtors Rs. 3,590.41 millions, Cash & Bank Balances Rs. 278.39 millions and Loans and Advances Rs. 1,492.02 millions.

## Current Liabilities and Provisions

The total Current Liabilities and Provisions have increased by Rs. 3,344.86 millions from Rs. 3,803.17 millions as on March 31, 2004 to Rs. 7,148.03 millions as on March 31, 2005. The increase mainly comprised of Current Liabilities Rs. 2,293.03 millions and Provisions Rs. 1,051.83 millions.

## E. CONSOLIDATED FINANCIAL STATEMENTS

The Company has presented consolidated accounts under Indian GAAP in this annual report. For the purpose of consolidation, we have identified 12 subsidiaries (including step down subsidiaries). The list is given in Note 5 of Schedule O of the Notes to Accounts accompanying the consolidated balance sheet and profit and loss account.

Below table gives the highlights of the consolidated profit and loss account under Indian GAAP:

Particulars	Rs. in millions		
	2004-05	2003-04	Growth (%)
Total Income	19,659.20	8,748.62	124.71
Profit Before Tax ('PBT')	3,973.55	1,479.15	168.64
PBT as % of Total Income	20.21	16.91	-
Profit After Tax ('PAT') after minority Interest	3,653.35	1,453.24	151.39
PAT as % of Total Income	18.58	16.61	-

## F. SUBSIDIARIES

International Research & Development Subsidiaries of the Company, viz., AE-Rotor Holding B.V., AE-Rotor Techniek B.V., Suzlon Energy B.V. in the Netherlands and Suzlon Energy GmbH in Germany are the backbone of the integrated global operations of the Company with continued focus on cost competitiveness through commercial exploitation of R&D efforts.

To accelerate the global marketing operations, the Company has incorporated a wholly owned subsidiary in the name of Suzlon Energy A/S in Denmark. The Company has sold its investments in erstwhile subsidiaries, viz., Suzlon Wind Energy Corporation, USA and Suzlon Energy Australia Pty Ltd to Suzlon Energy A/S and hence these subsidiaries are now step down subsidiaries of the Company. Suzlon Wind Energy Corporation has a wholly owned subsidiary Cannon Ball Wind Energy Park 1, LLC.

Suzlon Structures Private Limited and Suzlon Generators Private Limited, the joint venture companies and Suzlon Windfarm Services Limited became subsidiaries of the Company during the year under review. Suzlon Green Power Limited, the wholly owned subsidiary continued to perform satisfactorily.

## G. CASH FLOW ANALYSIS

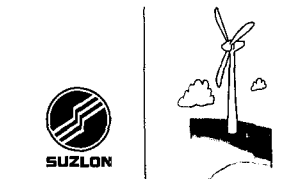
The table below summarizes our cash flows under Indian GAAP for FY 2003-04 and 2004-05:

Particulars	Rs. in millions	
	2004-05	2003-04
Net Cash Generated from Operating Activities	632.27	784.79
Net Cash from (Used in) Investing Activities	(2,526.73)	(1,825.31)
Net Cash Generated from (Used in) Financing Activities	2,172.85	1,121.70
Net Increase/(Decrease) in Cash and Cash Equivalents	278.39	81.18

Net Cash generated from Operations increased due to the growth of our operating income in fiscal 2005.

Net cash used in investing activities represents capital expenditure, investments, inter-corporate deposits (primarily to Associates Companies, including SDL and SRL) and income from dividends and interest.

# SUZLON ENERGY LIMITED



Net cash from financing activities is determined by the level of principal and interest payout on debts, new indebtedness and issue of new capital stock and dividend and interest payouts.

## Sources of Cash

The major sources of cash during FY 2004-05 have been After Tax Cash from Operations (before Working Capital changes), fresh Borrowings and funds from Private Equity investors.

## Uses of Cash

The major uses of cash during FY 2004-05 have been augmentation of Working Capital to meet the increased volume of business, routine Capital expenditures and investments in Subsidiaries and Associates.

## H. RISK MANAGEMENT

The Company is exposed to risks from market fluctuations of foreign exchange rates and interest rates and commodity prices.

### Exchange Rate Risk

We import a significant amount of raw materials and key components and most of these imports are denominated in foreign currencies such as the Euro, the DKK and the U.S. Dollar. Additionally, changes in exchange rates influence the cost of our borrowings denominated in currencies other than Rupees and the Rupee value of such borrowings in our balance sheet.

From time to time, we use derivative instruments to hedge our foreign exchange exposure. Nevertheless, a weakening of the Rupee against the Euro, the U.S. Dollar and other major foreign currencies may have an adverse effect on our cost of borrowing and imports and consequently may increase the cost of financing and raw materials.

In addition, we have experienced and can be expected to continue to experience foreign ex-change losses and gains on obligations denominated in foreign currencies in respect of our borrowings, debtors and creditors.

### Interest Rate Risk

Majority of our long-term Rupee-denominated debts and short term debts bear interest at floating rates linked with prime lending rates of the respective lenders as determined from time to time Further all our long-term foreign currency-denominated debts bear interest at floating rates linked with six-month U.S. Dollar LIBOR.

We use derivative instruments to hedge against adverse movements in interest rates with the objective of reducing the cost of debt. The underlying notional amounts covered as of March 31, 2005 under one contract was Rs. 100.0 millions and U.S.\$ 2.0 millions under a separate contract. The values of these derivative instruments are subject to movements in interest rates and may result in a negative carry from time to time.

### Commodity Price Risk

The Company is exposed to market risk with respect to the prices of raw material and components used in the manufacture of its products. These commodities include steel and copper. The costs for these raw materials and components are subject to fluctuation based on commodity prices. The costs of components and various small parts sourced from outside manufacturers may also fluctuate based on their availability from suppliers. In the normal course of business, the Company purchases these raw materials and components either on a purchase order basis or pursuant to supply agreements.

## I. CONTROL SYSTEMS AND PROCEDURES

The Company has adequate internal controls for all the business processes across various departments in respect of efficiency and compliance with applicable laws and regulations. The Company's internal control system is supplemented by extensive audits by the Management Audit Team, which reports to the Audit Committee of the Board of Directors. Regular internal audits and checks ensure that objectives of internal controls are met effectively. Audit Committee of Board of Directors will review the adequacy and effectiveness of the internal control systems and suggest improvements for strengthening them.

## J. HUMAN RESOURCE MANAGEMENT

The Company had 1,227 employees on its rolls as on March 31, 2005. The Company considers these human resources as prime assets. They play a significant role in the achieving the Corporate Mission and Goals.



## SUZLON ENERGY LIMITED



The Company places great emphasis on recognizing and rewarding talent and hard work. During the year we have been able to attract persons with a high quality skill sets from India and abroad.

We have instituted ESOP 2005 to reward and help retain our employees and to enable them to participate in our future growth.

The Company is conscious about the health of employees and to encourage good health, regular medical check ups are organized and Company has also established clinics at various locations. The Company has also started a sports club, which organizes various sports activities such as badminton, table tennis and cricket for employee welfare.

### K. SOCIAL RESPONSIBILITIES

The Company is conscious about its social responsibilities and the Company attempts to contribute to such common objects by way of making charity and donations for educational purposes, organizing blood donation camp of employees and running clinics for poor sections of the society.

*Cautionary Statement: We have included statements in this Discussion, that contain words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions that are "forward-looking statements".*

*All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:*

- *Variation in the demand for electricity;*
- *Changes in the cost of generating electricity from wind energy and changes in wind patterns;*
- *Changes in or termination of policies of state governments in India that encourage investment in power projects;*
- *General economic and business conditions in India and other countries;*
- *Our ability to successfully implement our strategy, growth and expansion plans and technological initiatives;*
- *Changes in the value of the Rupee and other currencies;*
- *Potential mergers, acquisitions or restructurings and increased competition;*
- *Changes in laws and regulations;*
- *Changes in political conditions in India;*
- *Changes in the foreign exchange control regulations in India; and*
- *Changes in the laws and regulations that apply to the wind energy industry, including tax laws.*

# SUZLON ENERGY LIMITED



## Auditors' Report

To,  
The Members of  
Suzlon Energy Limited.

1. We have audited the attached balance sheet of **Suzlon Energy Limited** ('Suzlon' or 'the Company') as at **March 31, 2005** and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;

- ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- v. On the basis of the written representations received from the directors, as on March 31, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) In the case of the **Balance Sheet**, of the state of affairs of the Company as at **March 31, 2005**;
  - (b) In the case of the **Profit and Loss Account**, of the profit for the year ended on that date; and
  - (c) In the case of the **Cash Flow Statement**, of the cash flows for the year ended on that date.

For **SNK & CO.**  
Chartered Accountants

For **S.R. BATLIBOI & CO.**  
Chartered Accountants

Place : **Pune**  
Date : **June 24, 2005**

*Jasmin B. Shah*  
Partner  
M. No. 46238

*Arvind Sethi*  
Partner  
M. No. 89802

# SUZLON ENERGY LIMITED



## Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

### Re: Suzlon Energy Limited

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets were physically verified by management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets.
- (c) There was no substantial disposal of fixed assets during the year.
2. (a) The management has conducted physical verification of inventory at reasonable intervals during the year. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventory followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
3. (a) The Company has granted unsecured loans to four companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 1,987 millions and the balance as at March 31, 2005 of such loans was Rs. 1,914 millions.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
- (c) In respect of loans granted, repayment of principal and interest, where stipulated have been regular. In cases where the loans granted are repayable on demand, the repayment is within the date demanded.
- (d) Based on the information and explanations provided by the management and our comments in clause 3(c) above, there is no overdue amount more than rupees one lakh of loans, granted to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- (e) As informed to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly clauses 4(iii) (e), (f) and (g) are not applicable.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
5. (a) According to the information and explanations provided by management, the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements for sale of wind turbine generators exceeding value of Rupees five lakhs entered into during the financial year are made at prices which are reasonable having regard to the prevailing market prices at the relevant time. However, in respect of other transactions made in pursuance of such contracts and arrangements exceeding value of Rs. 5 lakhs entered into during the financial year, due to the specialised and unique nature of the transactions and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public.
7. The Company has an internal audit system commensurate with the size of the Company and the nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained in respect of generation of electricity from wind power. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.

# SUZLON ENERGY LIMITED



9. (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
10. The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
11. Based on our audit procedures, the information and explanations given by the management and relevant confirmations from applicable banks and financial institutions, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank. The Company did not have any debentures outstanding during the year.
12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
14. In our opinion, the Company does not deal or trade in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
15. According to the information and explanations given to us, the Company has given guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interests of the Company.
16. In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The Company did not have any debentures outstanding during the year.
20. The Company has not raised any money through a public issue during the year ended March 31, 2005.
21. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For SNK & CO.  
Chartered Accountants

For S.R. BATLIBOI & CO.  
Chartered Accountants

Place : Pune  
Date : June 24, 2005

Jasmin B. Shah  
Partner  
M. No. 46238

Arvind Sethi  
Partner  
M. No. 89802

## SUZLON ENERGY LIMITED



## Balance Sheet as at March 31, 2005

All Amounts in Millions of Rupees Unless Otherwise Stated

Particulars	Schedule	As at March 31, 2005	As at March 31, 2004
<b>SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
(a) Share Capital	A	2,019.23	393.48
(b) Reserves and Surplus	B	7,276.49	3,774.80
		<u>9,295.72</u>	<u>4,168.28</u>
<b>2. Loan Funds</b>			
(a) Secured Loans	C	2,854.57	1,723.76
(b) Unsecured Loans	D	370.83	482.83
		<u>3,225.40</u>	<u>2,206.59</u>
<b>TOTAL</b>		<u>12,521.12</u>	<u>6,374.87</u>
<b>APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>	E		
(a) Gross Block		2,178.80	1,590.85
(b) Less: Depreciation		576.10	237.71
(c) Net Block		<u>1,602.70</u>	<u>1,353.14</u>
Capital Work-in-Progress		179.28	124.27
		<u>1,781.98</u>	<u>1,477.41</u>
<b>2. Investments</b>	F	1,260.08	533.25
<b>3. Deferred Tax Asset, net (See Schedule O, Note 6)</b>		276.06	105.30
<b>4. Current Assets, Loans and Advances</b>	G		
(a) Inventories		4,945.87	2,017.12
(b) Sundry Debtors		6,763.35	3,172.94
(c) Cash and Bank Balances		881.99	603.60
(d) Loans and Advances		<u>3,759.82</u>	<u>2,267.80</u>
		<u>16,351.03</u>	<u>8,061.46</u>
<b>Less: Current Liabilities and Provisions</b>	H		
(a) Current Liabilities		5,291.88	2,998.85
(b) Provisions		<u>1,856.15</u>	<u>804.32</u>
		<u>7,148.03</u>	<u>3,803.17</u>
<b>Net Current Assets</b>		<u>9,203.00</u>	<u>4,258.29</u>
<b>5. Miscellaneous Expenditure</b>	I	-	0.62
(To the extent not written off or adjusted)			
<b>TOTAL</b>		<u>12,521.12</u>	<u>6,374.87</u>

Significant Accounting Policies and Notes to Accounts

O

As per our report of even date

For and on behalf of the Board of Directors

For SNK & CO.  
Chartered AccountantsFor S.R. BATLIBOI & CO.  
Chartered AccountantsTulsi R. Tanti  
Chairman & Managing DirectorJasmin B. Shah  
Partner  
M. No. 46238Arvind Sethi  
Partner  
M. No. 89802Hemal A. Kanuga  
Company SecretaryGirish R. Tanti  
DirectorPlace : Pune  
Date : June 24, 2005Place : Pune  
Date : June 24, 2005Place : Mumbai  
Date : June 24, 2005



## SUZLON ENERGY LIMITED



## Profit and Loss Account for the Year Ended March 31, 2005

All Amounts in Millions of Rupees Unless Otherwise Stated

Particulars	Schedule	For the Year ended March 31, 2005	For the Year ended March 31, 2004
<b>INCOME</b>			
Sales		19,175.03	7,911.51
Other Income	J	232.63	137.40
<b>TOTAL</b>		<b>19,407.66</b>	<b>8,048.91</b>
<b>EXPENDITURE</b>			
Cost of Goods Sold	K	11,414.54	5,030.85
Operating and Other Expenses	L	2,912.12	1,267.54
Employees' Remuneration and Benefits	M	353.19	176.57
Financial Charges	N	413.00	256.84
Depreciation	E	389.66	96.54
Preliminary Expenses Written Off	I	0.62	0.32
<b>TOTAL</b>		<b>15,483.13</b>	<b>6,828.66</b>
Profit Before Tax and Exceptional Items		3,924.53	1,220.25
Add: Exceptional Items, [See Schedule O, Note 10(6)]		-	266.93
<b>PROFIT BEFORE TAX</b>		<b>3,924.53</b>	<b>1,487.18</b>
Current Tax		480.00	130.00
Deferred Tax		(170.76)	(94.05)
Earlier Year		0.61	(7.77)
<b>NET PROFIT</b>		<b>3,614.68</b>	<b>1,459.00</b>
Balance Brought Forward		3,066.31	2,383.44
<b>AMOUNT AVAILABLE FOR APPROPRIATIONS</b>		<b>6,680.99</b>	<b>3,842.44</b>
Interim Dividend on Equity Shares		231.84	73.04
Proposed Dividend on Equity Shares		115.92	170.44
Dividend on Preference Shares		15.08	0.90
Tax on Dividends		48.67	31.75
Transfer to General Reserve		1,000.00	500.00
Balance Carried to Balance Sheet		5,269.48	3,066.31
Significant Accounting Policies and Notes to Accounts	O		
Basic and Diluted Earning Per Share (Before Exceptional Items)		14.21	5.43
Basic and Diluted Earning Per Share (After Exceptional Items)		14.21	6.65
(Face Value of Rs. 10)			
(See Schedule O, Note 8)			

As per our report of even date

For and on behalf of the Board of Directors

For SNK & CO.  
Chartered AccountantsFor S.R. BATLIBOI & CO.  
Chartered AccountantsTulsi R. Tanti  
Chairman & Managing DirectorJasmin B. Shah  
Partner  
M. No. 46238Arvind Sethi  
Partner  
M. No. 89802Hemal A. Kanuga  
Company SecretaryGirish R. Tanti  
DirectorPlace : Pune  
Date : June 24, 2005Place : Pune  
Date : June 24, 2005Place : Mumbai  
Date : June 24, 2005

## SUZLON ENERGY LIMITED

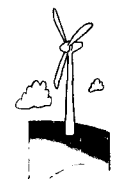


## Schedules Annexed to and Forming Part of the Accounts

Schedules Forming Part of the Balance Sheet

Particulars	As at March 31, 2005	As at March 31, 2004
<b>SCHEDULE - A : SHARE CAPITAL</b>		
<b>Authorised</b>		
101,000,000 (30,000,000) Equity Shares of Rs. 10/- each	1,010.00	300.00
11,500,000 (2,000,000) Preference Shares of Rs. 100/- each	1,150.00	200.00
	<u>2,160.00</u>	<u>500.00</u>
<b>Issued, Subscribed</b>		
<b>Equity:</b>		
86,922,900 (24,347,800) Equity Shares of Rs. 10/- each fully paid up [Of the above Equity Shares, 78,009,500 (20,060,900) shares were allotted as fully paid Bonus Shares by utilisation of Rs. 190.36 (190.36) millions from General Reserve, Rs. 10.25 (10.25) millions from Capital Redemption Reserve and Rs. 579.49 (Nil) millions from Securities Premium Account.]	869.23	243.48
<b>Preference:</b>		
1,500,000 (1,500,000) 10% Cumulative Redeemable Preference Shares of Rs.100/- each fully paid up (See Schedule O, Note 3a.)	150.00	150.00
10,000,000 (Nil) 0.01% Cumulative Redeemable Preference Shares of Rs.100/- each fully paid up (See Schedule O, Note 3b.)	1,000.00	--
<b>TOTAL</b>	<u><u>2,019.23</u></u>	<u><u>393.48</u></u>
<b>SCHEDULE - B : RESERVES AND SURPLUS</b>		
<b>Capital Redemption Reserve</b>		
Transfer from General Reserve as on April 1, 2003	--	10.25
Less: Capitalisation by way of Issue of Bonus Shares	--	10.25
	--	--
<b>Securities Premium Account</b>		
As per last Balance Sheet	--	--
Add: Addition During the Year	953.74	--
Less: Capitalisation by way of Issue of Bonus Shares	579.49	--
Share Issue Expenses	75.73	--
	<u>298.52</u>	--
<b>General Reserve</b>		
As per last Balance Sheet	708.49	330.23
Add: Transfer from Profit and Loss Account	1,000.00	500.00
	<u>1,708.49</u>	<u>830.23</u>
Less: Transfer to Capital Redemption Reserve	--	10.25
Less: Capitalisation by way of Issue of Bonus Shares	--	111.49
	<u>1,708.49</u>	<u>708.49</u>
<b>Profit and Loss Account</b>		
	5,269.48	3,066.31
<b>TOTAL</b>	<u><u>7,276.49</u></u>	<u><u>3,774.80</u></u>

## SUZLON ENERGY LIMITED



## Schedules Annexed to and Forming Part of the Accounts

Schedules Forming Part of the Balance Sheet

Particulars	As at March 31, 2005	As at March 31, 2004
<b>SCHEDULE - C : SECURED LOANS</b>		
<b>(a) Term Loans</b>		
1. From Banks		
Various Loans Secured by a first charge on certain immovable and / or movable fixed assets, second charge on current assets and / or personal guarantees of directors in certain cases.	153.76	607.29
2. From Others		
Secured by a first charge on certain immovable and movable fixed assets, specific security deposits, book-debts, second charge on current assets and personal guarantees of directors in certain cases.	531.23	250.00
	684.99	857.29
<b>(b) Working Capital Facilities from Banks and Financial Institutions</b>		
1. Rupee Loans	2,028.50	863.05
2. Foreign Currency Loans	130.93	-
Secured by hypothecation of inventories, book-debts and other current assets of the Company, both present and future, first charge on certain immovable fixed assets, second charge on all other immovable fixed assets and personal guarantees of directors in certain cases.	2,159.43	863.05
<b>(c) Vehicle Loans</b>		
Vehicle loans are hypothecated against the respective vehicle financed	10.15	3.42
<b>TOTAL</b>	<b>2,854.57</b>	<b>1,723.76</b>

## SCHEDULE - D : UNSECURED LOANS

## Long Term

From Other than Banks	370.83	195.53
Due within one year Rs. 83.70 millions, (Previous Year Rs. 43.56 millions)	370.83	195.53

## Short Term

1. From Banks	-	75.00
2. From Others	-	212.30
	-	287.30
<b>TOTAL</b>	<b>370.83</b>	<b>482.83</b>

## SUZLON ENERGY LIMITED



## Schedules Annexed to and Forming Part of the Accounts

Schedules Forming Part of the Balance Sheet

## SCHEDULE - E : FIXED ASSETS

ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at April 1, 2004	Additions	Deductions/ Adjustments	As at March 31, 2005	As at April 1, 2004	For the Year	Deductions/ Adjustments	As at March 31, 2005	As at March 31, 2005	As at March 31, 2004
Freehold Land	46.29	50.93	-	97.22	-	-	-	-	97.22	46.29
Leasehold Land	9.61	-	-	9.61	-	0.59	-	0.59	9.02	9.61
Buildings	677.87	60.47	13.35	724.99	53.72	58.31	0.01	112.02	612.97	624.15
Plant and Machinery	579.38	273.05	40.41	812.02	84.50	216.51	40.40	260.61	551.41	494.88
Wind Research and Measuring Equipment	62.66	25.40	8.32	79.74	12.64	44.10	7.79	48.95	30.79	50.02
Computers and Other Equipments	83.07	89.70	0.19	172.58	34.31	28.30	0.11	62.50	110.08	48.76
Furniture and Fixtures	65.99	25.09	0.06	91.02	23.94	13.85	0.03	37.76	53.26	42.05
Vehicles	45.58	9.22	11.62	43.18	18.80	7.97	7.29	19.48	23.70	26.78
Intangible Assets										
Designs and Drawings	20.40	68.72	6.32	82.80	9.80	14.85	3.59	21.06	61.74	10.60
SAP Software	-	65.64	-	65.64	-	13.13	-	13.13	52.51	-
<b>TOTAL</b>	<b>1,590.85</b>	<b>668.22</b>	<b>80.27</b>	<b>2,178.80</b>	<b>237.71</b>	<b>397.61</b>	<b>59.22</b>	<b>576.10</b>	<b>1,602.70</b>	<b>1,353.14</b>
Capital Work-in-Progress									179.28	124.27
<b>TOTAL</b>	<b>1,590.85</b>	<b>668.22</b>	<b>80.27</b>	<b>2,178.80</b>	<b>237.71</b>	<b>397.61</b>	<b>59.22</b>	<b>576.10</b>	<b>1,781.98</b>	<b>1,477.41</b>
Previous Year	803.83	796.55	9.53	1,590.85	144.43	96.54	3.26	237.71	1,353.14	

## Notes:

1. Depreciation charge for the year amounting to Rs. 397.61 (Rs. 96.54) millions, is including Rs. 7.95 (Rs. Nil) millions which has been capitalised as part of self manufactured assets. The depreciation charge in the Profit and Loss Account amounting to Rs. 389.66 (Rs. 96.54) millions is net off of the amount capitalized.
2. Balance of buildings includes Rs. 10.79 (Rs. Nil) millions for which the transfer of property in the name of the Company is pending.
3. An amount of Rs. 2.21 millions (Rs. 1.18 millions) towards change in rupee liability consequent to the realignment of rupee value in terms of foreign currency values has been adjusted to the cost of fixed assets/capital work-in-progress, as required by Schedule VI to the Companies Act, 1956.

## SUZLON ENERGY LIMITED



## Schedules Annexed to and Forming Part of the Accounts

Schedules Forming Part of the Balance Sheet

Particulars	As at March 31, 2005	As at March 31, 2004
<b>SCHEDULE - F : INVESTMENTS</b>		
<b>LONG TERM INVESTMENTS (At Cost)</b>		
<b>UNQUOTED</b>		
(i) <b>Government and Other Securities (Non Trade)</b>		
Security Deposited with Government Departments	0.09	0.08
	<u>0.09</u>	<u>0.08</u>
(ii) <b>Trade Investments</b>		
Nil (93,000) 13% Cumulative Redeemable Preference Shares of Rs. 100/- each of Suzlon Windfarm Services Limited	-	9.30
Nil (900,000) 10% Cumulative Redeemable Preference Shares of Rs. 100/- each of Suzlon Windfarm Services Limited	-	90.00
65,000 (65,000) 13% Cumulative Redeemable Preference Shares of Rs. 100/- each of Suzlon Developers Limited	6.50	6.50
99,999 (99,999) 13% Cumulative Redeemable Preference Shares of Rs. 100/- each of Sarjan Realities Limited	10.00	10.00
500,000 (Nil) 10% Cumulative Redeemable Preference Shares of Rs. 100/- each of Suzlon Developers Limited	50.00	-
	<u>66.50</u>	<u>115.80</u>
(iii) <b>Other than Trade Investments</b>		
(a) <b>Subsidiaries</b>		
<b>Indian</b>		
4,990,000 (4,990,000) Equity Shares of Rs.10/- each of Suzlon Green Power Limited	52.90	52.90
2,000,000 (Nil) Equity Shares of Rs.10/- each of Suzlon Windfarm Services Limited	72.40	-
11,249,500 (Nil) Equity Shares of Rs.10/- each of Suzlon Structures Private Limited	112.49	-
8,721,500 (Nil) Equity Shares of Rs.10/- each of Suzlon Generators Private Limited	87.21	-
350,000 (Nil) 13% Cumulative Redeemable Preference Shares of Rs. 100/- each of Suzlon Windfarm Services Limited	35.00	-
900,000 (Nil) 10% Cumulative Redeemable Preference Shares of Rs. 100/- each of Suzlon Windfarm Services Limited	90.00	-
89,100 (Nil) 8% Cumulative Redeemable Preference Shares of Rs.100/- each of Suzlon Structures Private Limited	8.91	-
451,000 (151,000) 13% Cumulative Redeemable Preference Shares of Rs.100/- each of Suzlon Green Power Limited	45.10	15.10
<b>Foreign</b>		
172,500 (117,500) Equity Shares of 10 Euro each fully paid up of AE Rotor Holding BV, The Netherlands	93.52	62.70
413,864 (Nil) Equity Shares of 100 DKK each fully paid up of Suzlon Energy A/S, Denmark (DKK 26,977,650 paid as Share Premium)	527.44	-
Nil (1,000) Equity Shares of 1 USD each fully paid up of Suzlon Wind Energy Corporation, USA [Nil (5,075,000) Additional paid in Capital]	-	234.60
2 (2) Equity Shares of 12,500 Euro each fully paid up of Suzlon Energy GmbH, Germany [Euro 1,025,000 (455,000) paid as Capital Reserve]	57.76	25.28
Nil (1) Equity Shares of 1 AUD each fully paid up of Suzlon Energy Australia Pty. Limited, Australia (550,000 Shares invested and sold during the year)	-	*
	<u>1,182.73</u>	<u>390.58</u>



## SUZLON ENERGY LIMITED



## Schedules Annexed to and Forming Part of the Accounts

Schedules Forming Part of the Balance Sheet

Particulars	As at March 31, 2005	As at March 31, 2004
<b>SCHEDULE - F : INVESTMENTS (Contd...)</b>		
<b>(b) Other than Subsidiaries</b>		
2,02,900 (2,02,900) Equity Shares of Rs. 10/- each of Suzlon Hotels Limited	2.03	2.03
87,000 (87,000) 13% Cumulative Redeemable Preference Shares of Rs. 100/- each of Suzlon Hotels Limited	8.70	8.70
Nil (484) 11.70% Secured Redeemable Non-Convertible Regular Return Bonds of Rs. 5,000/- each of Krishna Bhagya Jala Nigam Ltd.	—	2.42
Nil (100) 11% Bonds of series 2003A of Rs. 1,00,000/- each of Maharashtra Krishna Valley Development Corporation	—	10.00
2,550 (2,550) Equity Shares of Rs. 10/- each of Saraswat Co-operative Bank Ltd.	0.03	0.03
	<b>10.76</b>	<b>23.18</b>
<b>Total Unquoted</b>	<b>1,260.08</b>	<b>529.64</b>
*Amount Below Rs. 0.01 millions		
<b>QUOTED</b>		
<b>(i) Fully Paid Equity Shares</b>		
Nil (1,755,600) Shares of Rs. 10/- each of SNS Textiles Limited	—	26.34
Nil (20,000) Shares of Rs. 10/- each of IDBI Bank Ltd.	—	0.39
Nil (2,500) Shares of Rs. 10/- each of Elbee Services Ltd.	—	0.67
Nil (300) Shares of Rs. 10/- each of GTL Ltd.	—	0.43
Nil (3,500) Shares of Rs. 10/- each of Vakrangi Software Ltd.	—	1.49
Nil (5,000) Shares of Rs. 10/- each of Integrated Hightech Ltd.	—	0.22
	—	<b>29.54</b>
<b>(ii) Partly Paid Equity Shares</b>		
Nil (1,300) Shares of Rs. 10/- each, Rs. 5/- paid up of SNS Textiles Ltd.	—	0.01
	—	<b>0.01</b>
<b>Total Quoted</b>	—	<b>29.55</b>
<b>Total Investments</b>	<b>1,260.08</b>	<b>559.19</b>
Less: Provision for Diminution in Investments	—	25.94
	<b>1,260.08</b>	<b>533.25</b>
Aggregate Cost of Unquoted Investments	<b>1,260.08</b>	<b>529.64</b>
Aggregate Cost of Quoted Investments	—	<b>3.61</b>
	<b>1,260.08</b>	<b>533.25</b>
Aggregate Market Value of Quoted Investments	—	<b>3.67</b>

Note: Investment Purchased and Sold / Redeemed during the Year:

Name of Investment	Nos.	Face Value	Cost
GCDB Grindlays Cash Fund	1	10,000,000	10,000,000

## SUZLON ENERGY LIMITED



## Schedules Annexed to and Forming Part of the Accounts

Schedules Forming Part of the Balance Sheet

Particulars	As at March 31, 2005	As at March 31, 2004
<b>SCHEDULE - G : CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Current Assets</b>		
<b>(a) Inventories</b>		
Raw Materials <i>[Including Goods-in-Transit Rs. 1,062.96 millions (Rs. 521.19 millions)]</i>	4,152.69	1,703.29
Semi Finished Goods and Work-in-Progress	688.64	161.70
Finished Goods	—	141.26
Land and Land Lease Rights	104.54	10.87
	<b>4,945.87</b>	<b>2,017.12</b>
<b>(b) Sundry Debtors</b> <i>(Unsecured)</i>		
Outstanding for a Period Exceeding Six Months		
Considered Good <i>[See Schedule O, Note 10 (7)]</i>	938.73	1,344.87
Considered Doubtful	99.89	4.10
	<b>1,038.62</b>	<b>1,348.97</b>
Others, Considered Good	5,824.62	1,828.07
	<b>6,863.24</b>	<b>3,177.04</b>
Less: Provision for Doubtful Debts	99.89	4.10
	<b>6,763.35</b>	<b>3,172.94</b>
<b>(c) Cash and Bank Balances</b>		
Cash on hand	2.03	1.56
Balance with Scheduled Banks		
- In Current Accounts	182.94	169.29
- In Term Deposit Accounts	696.97	432.67
	<b>879.91</b>	<b>601.96</b>
Balance with Non Scheduled Bank in Current Account		
- Bank of China, Beijing, China	0.05	0.08
<i>[Maximum Balance during the Year Rs. 1.24 millions (Rs. 0.96 millions)]</i>		
	<b>881.99</b>	<b>603.60</b>
<b>Loans and Advances</b> <i>(Unsecured and Considered Good, Except Otherwise Stated)</i>		
Loans to Subsidiaries <i>(In Foreign Currency)</i>	266.18	599.66
Loans to Subsidiaries <i>(In Indian Rupees)</i>	292.63	108.49
Deposits		
- With Customers as Security Deposit	319.41	488.55
- Others	120.84	31.00
Advances Recoverable in Cash or in Kind or for Value to be Received*		
Considered Good	2,760.76	1,040.10
Considered Doubtful	33.51	40.00
	<b>2,794.27</b>	<b>1,080.10</b>
Less: Provision for Doubtful Loans and Advances	33.51	40.00
	<b>2,760.76</b>	<b>1,040.10</b>
	<b>3,759.82</b>	<b>2,267.80</b>
<b>TOTAL</b>	<b>16,351.03</b>	<b>8,061.46</b>

\* Include (a) Rs. 38.90 millions (Rs. 3.61 millions) towards  
Share Application Money pending allotment and (b) Inter corporate  
Deposits of Rs. 1,886.35 millions (Rs. 530.17 millions)

## SUZLON ENERGY LIMITED



## Schedules Annexed to and Forming Part of the Accounts

Schedules Forming Part of the Balance Sheet

Particulars	As at March 31, 2005	As at March 31, 2004
<b>SCHEDULE - H : CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors	4,181.91	2,474.96
Acceptances	614.55	106.85
Subsidiaries	111.55	45.95
Other Current Liabilities	293.60	170.86
Interest Accrued but not Due	7.60	2.70
Advances from Customers	82.67	197.53
	<b>5,291.88</b>	<b>2,998.85</b>
<b>Provisions</b>		
For Wealth Tax	0.14	0.15
For Income Tax [Net of Advance Tax of Rs. 544.16 (126.95) millions]	65.84	3.05
Gratuity, Superannuation and Leave Encashment	9.05	1.93
Generation Guarantee, LD and O & M Warranty	1,631.75	605.47
For Dividend	131.00	171.34
For Tax on Dividend	18.37	22.38
	<b>1,856.15</b>	<b>804.32</b>
<b>TOTAL</b>	<b>7,148.03</b>	<b>3,803.17</b>

**SCHEDULE - I : MISCELLANEOUS EXPENDITURE**  
(To the extent not adjusted or written off)

**Preliminary Expenses**

Opening Balance	0.62	0.32
Add: Addition during the year	–	0.62
Less: Written off during the year	0.62	0.32
<b>TOTAL</b>	<b>–</b>	<b>0.62</b>

## SUZLON ENERGY LIMITED



## Schedules Annexed to and Forming Part of the Accounts

Schedules Forming Part of the Profit and Loss Account

Particulars	2004-05	2003-04
<b>SCHEDULE - J : OTHER INCOME</b>		
Interest Received		
From Banks	32.00	17.80
From Others	173.58	103.33
<i>[Including Interest on Non-Trade Investment Rs. 0.61 (1.29) millions Tax Deducted at Source Thereon is Rs. Nil (0.29) millions]</i>		
Dividend <i>[Including from Subsidiary Rs.16.84 millions (Rs. 0.10 millions)]</i>	20.26	4.36
Profit on Sale of Investments, net	-	8.96
Excess Provision Written Back	3.00	-
Miscellaneous Income	3.79	2.95
<b>TOTAL</b>	<b>232.63</b>	<b>137.40</b>
<b>SCHEDULE -K : COST OF GOODS SOLD</b>		
Consumption of Raw Materials		
Opening Stock	1,703.29	769.79
Add: Purchases	14,247.18	6,071.52
	15,950.47	6,841.31
Less: Closing Stock	4,152.69	1,703.29
(A)	11,797.78	5,138.02
Trading Purchases	(B) 96.11	133.95
(Increase) / Decrease in Stocks		
Stock in Trade (Opening Balance)		
Semi Finished Goods and Work-in-Progress	161.70	29.00
Finished Goods	141.26	41.06
Land and Land Lease Rights	10.87	2.65
(C)	313.83	72.71
Stock in Trade (Closing Balance)		
Semi Finished Goods and Work-in-Progress	688.64	161.70
Finished Goods	-	141.26
Land and Land Lease Rights	104.54	10.87
(D)	793.18	313.83
(Increase) / Decrease in Stocks	(E) = (C) - (D) (479.35)	(241.12)
<b>TOTAL = (A) + (B) + (E)</b>	<b>11,414.54</b>	<b>5,030.85</b>

## SUZLON ENERGY LIMITED



## Schedules Annexed to and Forming Part of the Accounts

Schedules Forming Part of the Profit and Loss Account

Particulars	2004-05	2003-04
<b>SCHEDULE - L : OPERATING AND OTHER EXPENSES</b>		
Stores and Spares	65.36	34.91
Power and Fuel	11.21	5.56
Factory Expenses	25.66	18.05
Repairs and Maintenance:		
Plant and Machinery	4.23	3.60
Building	14.70	3.08
Others	15.20	0.84
WTG - O & M and Modification Charges	163.73	49.27
Operating Lease Charges	23.49	0.95
Rent	34.93	7.95
Rates and Taxes	3.82	2.00
Provision for Maintenance Warranty and Guarantee Expenses	1,189.84	406.65
Quality Assurance Expenses	111.38	42.94
R & D, Certification and Product Development	37.63	54.22
Insurance	28.09	15.54
Advertisement and Sales Promotion	55.88	44.73
Infrastructure Development Expenses	128.65	17.37
Freight Outward and Packing Expenses	245.74	148.46
Sales Commission	97.78	92.88
Travelling, Conveyance and Vehicle Expenses	111.00	77.81
Communication Expenses	21.00	16.16
Auditors' Remuneration and Expenses	12.20	1.47
Consultancy Charges	61.12	40.32
Charity and Donations	51.73	15.91
Other Selling and Administrative Expenses	185.27	94.27
Exchange Differences, net	17.86	18.23
Bad Debts Written Off	-	3.93
Provision for Doubtful Debts and Advances	89.30	44.10
Loss on Sale of Investments, net	100.88	-
Loss on Assets Sold / Discarded, net	4.43	6.34
<b>TOTAL</b>	<b>2,912.12</b>	<b>1,267.54</b>

**SCHEDULE - M : EMPLOYEES' REMUNERATION AND BENEFITS**

Salaries, Wages, Allowances and Bonus	303.30	156.72
Contribution to Provident and Other Funds	18.11	9.83
Staff Welfare Expenses	31.78	10.02
<b>TOTAL</b>	<b>353.19</b>	<b>176.57</b>

**SCHEDULE - N : FINANCIAL CHARGES**

Interest:		
Fixed Loans	87.43	78.84
Others	231.84	119.56
Bank Charges	93.73	58.44
<b>TOTAL</b>	<b>413.00</b>	<b>256.84</b>



# SUZLON ENERGY LIMITED



## Schedules Annexed to and Forming Part of the Accounts

### SCHEDULE - O : SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

*(All Amounts in Millions of Rupees Unless Otherwise Stated)*

#### Nature of Operations

The Company is engaged in the manufacture of Wind Turbine Generators ('WTGs') of various capacities and its components. It has manufacturing plants in the Union Territories of Diu and Daman, and Pondicherry.

#### 1. Significant Accounting Policies

##### (a) Basis of Accounting

The financial statements have been prepared on the historical cost convention to comply in all material respects, with the mandatory accounting standards issued by the Institute of Chartered Accountants of India ('ICAI'), generally accepted accounting principles, and provisions of Companies Act, 1956 ('the Act') following mercantile system of accounting as adopted consistently by the Company. Accounting policies not referred to otherwise, are consistent with generally accepted accounting principles.

##### (b) Use of Estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that may affect the reported amount of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimated.

##### (c) Revenue Recognition

###### Sale of Goods

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the goods are transferred to the customer, as per the terms of the respective sales order.

###### Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. In case of interest charged to customers, interest is accounted for on availability of documentary evidence that the customer has accepted the liability.

###### Dividend

Dividend income from investments is recognised when the right to receive payment is established. Dividend from subsidiary companies declared after the year end, is accounted during the year as required by Schedule VI to the Companies Act, 1956.

##### (d) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Own manufactured assets are capitalised inclusive of all direct costs and attributable overheads. Capital Work in Progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertaking, pre-operative expenses are capitalised upon the commencement of commercial production.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

# SUZLON ENERGY LIMITED



The carrying amounts of the assets belonging to each Cash Generating Unit ('CGU') are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying amounts exceed the recoverable amount of the assets' CGU, assets are written down to their recoverable amount. Further, assets held for disposal are stated at the lower of the net book value or the estimated net realisable value.

## (e) Depreciation / Amortisation

Depreciation / Amortisation is provided on the written down value method ('WDV') unless otherwise mentioned, pro-rata to the period of use of assets and is based on management's estimate of useful lives of the fixed assets or at rates specified in Schedule XIV to the Act, whichever is higher:

Type of Asset	Rate
Leasehold Land	Amortised over the period of lease
Office Building	5%
Factory Building	10%
Plant and Machinery	13.91%
Moulds	13.91% or Useful life based on usage
Patterns	30% or Useful life based on usage
Wind Research and Measuring Equipment	50%
Computers and Softwares	40%
Office Equipment	13.91%
Furniture and Fixture	18.10%
Motor Car and Others	25.89%
Trailers	30%
Intangible Assets	Amortised on a straight line basis over a period of five years

## (f) Inventories

Inventories of raw materials, semi-finished goods, work-in-progress and finished goods are valued at the lower of the cost and estimated net realisable value. Cost is determined on a first-in-first-out basis.

The cost of work-in-progress, semi-finished goods and finished goods includes the cost of material, labour and manufacturing overheads.

Stock of land and land lease rights is valued at lower of cost and net realisable value. Cost is determined based on the weighted average basis. Net realisable value is determined by management using technical estimates.

## (g) Investments

Long Term Investments are carried at cost. However, provision is made to recognise a decline, other than temporary, in the value of long term investments.

Current investments are carried at lower of cost and fair value, determined on an individual basis.

## (h) Foreign Currency Transactions

Transactions in foreign currencies are normally recorded at the average exchange rate prevailing in the month during which the transaction occurred. Foreign currency monetary items are reported using the closing rate. Non-monetary items carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rate that existed when the values were determined.

Exchange differences arising as a result of the above are recognised as income or expense in the Profit and Loss Account, except in case of liabilities incurred for acquiring imported fixed assets, where the differences are adjusted to the carrying amount of such fixed assets in compliance with the Schedule VI of the Act.

# SUZLON ENERGY LIMITED



In case of forward contracts, the difference between the forward rate and the exchange rate, being the premium or discount, at the inception of a forward exchange contract is recognized as income or expense over the life of the contract. Exchange differences on such contracts are recognised in the profit and loss account in the reporting period in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

## Foreign Operations

The financial statements of integral foreign operations are translated as if the transactions of the foreign operations have been those of the Company itself.

### (i) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

### (j) Retirement and Other Employee Benefits

Defined Contributions to provident fund and family pension fund are charged to the Profit and Loss Account on accrual basis and paid to the relevant authorities.

Liabilities with regard to gratuity are determined under Group Gratuity Scheme with Life Insurance Corporation of India ('LIC') and the provision required is determined as per actuarial valuation carried out by LIC, as at the balance sheet date.

Contributions to Superannuation fund with LIC through its employees' trust are charged to the profit and loss account on an accrual basis.

The Company makes a provision in its books for unutilised leave lying to the credit of employees, subject to the maximum period of leave, based on actuarial valuation as at the balance sheet date.

### (k) Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent Liabilities are disclosed by way of notes to the accounts.

Contingent assets are not recognized.

### (l) Income Tax

Tax expense for a year comprises of current tax and deferred tax. Current tax is measured after taking into consideration deductions and exemptions admissible under the provisions of the Income Tax Act, 1961.

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Deferred tax resulting from timing differences which originate during the tax holiday period but reverse after tax holiday period is recognised in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted by the balance sheet date.



# SUZLON ENERGY LIMITED

## (m) Lease Assets

### Operating Leases

Assets acquired as leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals are charged off to the Profit and Loss Account as incurred.

Initial direct costs in respect of assets given on lease are expensed off in the year in which such costs are incurred.

## (n) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit for the period attributable to Equity Shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of Equity Shares outstanding during the period. The weighted average number of Equity Shares outstanding during the period are adjusted for any bonus shares issued during the year and also after the balance sheet date but before the date the financial statements are approved by the Board of Directors.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to Equity Shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential Equity Shares.

The number of Equity Shares and potentially dilutive Equity Shares are adjusted for bonus shares as appropriate.

## 2. Changes in Accounting Policies / Estimates

- (a) During the current year, the Company has changed its basis for providing for the power generation guarantee from the erstwhile fixed amount per WTG per year to an amount considering various technical factors like wind velocity, grid availability, plant load factor, load shedding, historical data etc. Due to this change in the basis of making the estimate, the Provision for Generation Guarantee expenses for the period is higher by Rs. 178.13 millions and the profit before tax for the year is lower by the same amount.
- (b) During the current period, the Company has reassessed the estimated useful lives of certain fixed assets like moulds and patterns as well as the obsolescence rate of certain fixed assets due to rapid changes in technology. This reassessment has been factored in changes in the depreciation rates, done through a process of re-estimating the economic useful life of these assets. Due to this change the depreciation for the year is higher by Rs. 114.10 millions and the profit for the year before tax is lower by the same amount.

## 3. Terms of Redemption / Conversion of Preference Shares

- (a) 1,500,000, 10% Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid are redeemable at par after one year from March 10, 2004, which is the date of allotment, at the option of the Company or the Preference Shareholders as the case may be.
- (b) 10,000,000 Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid up carry dividend @ 0.01% p.a. till March, 2007 and 4% p.a. thereafter till the date of redemption i.e. January 1, 2012. These shares will be either compulsorily redeemed at par if an Initial Public Offering ('IPO') occurs before December 31, 2005 or shall be converted into Equity Shares at the option of the Preference Share holders after December 31, 2005 but before December 31, 2006 at Rs. 525/- per Equity Share or after December 31, 2006 but before January 1, 2012, at Rs. 260/- per Equity Share.

## 4. Amount due to Small Scale Industrial Undertakings ('SSI') as at March 31, 2005: Rs. 182.36 (Rs. 82.81) millions

SSI undertakings to whom the Company owes sums which are outstanding for more than 30 days as at March 31, 2005, have been determined based on the information available with the Company and the details are as under:

ABIRAMI Engineering Works, Altec Fabricators, Anand Engineering Industries, Associated Power Structure Pvt. Ltd., Aureka, Autosoft Control & Automation (Pune) Ltd., Bullows Equipment Pvt. Ltd., Control Systems Engineers, Eskay Industries, Everest Fabricators, Excel Machinery (Guj) Private Limited, Hylite Cables, Indiram General Engineering Works, Jay Engineering Industries, Kaypee Industries, Mukesh Engineering Industries, Muthu Machine Tools, Neelesh Engineers, Nikho Engineers, Patson Transformers Pvt. Ltd., Perfect Polymesh, Pioneer Industries, Pratap Industries, Prima Automation India Pvt. Ltd., SSV Engineers, Urja Product P. Ltd., Vishnu Techno Engineering.

# SUZLON ENERGY LIMITED



## 5. Provisions

In pursuance of Accounting Standard-29 ('AS-29') "Provisions, Contingent Liabilities and Contingent Assets" issued by the ICAI, the provisions required have been incorporated in the books of account in the following manner:

Particulars	Generation Guarantee	Warranty for Operation & Maintenance	Guarantee for Plant Load Factor	Provision for Liquidated Damages
Opening Balance	181.23	414.24	10.00	-
Additions	496.19	734.38	-	39.72
Utilization	62.73	130.55	7.00	-
Reversal	-	40.73	3.00	-
<b>Closing Balance</b>	<b>614.69</b>	<b>977.34</b>	<b>0.00</b>	<b>39.72</b>

The provision for Warranty for Operation and Maintenance ('O&M') represents the expected liability on account of field failure of parts of WTG and expected expenditure of servicing the WTG's over the period of free O&M, which varies according to the terms of each Sales Order.

The provision for Generation Guarantee ('GG') represents the expected claims for generation shortfall expected in future over the life of the guarantee assured. The period of GG varies for each customer according to the terms of the contract. The key assumptions in arriving at the GG provision are wind velocity, plant load factor, grid availability, load shedding, historical data etc.

The Company does not have any obligation on account of Plant Load Factor liabilities and hence the amount outstanding has been reversed during the year.

Provision for Liquidated Damages ('LD') represents the expected claims which the Company may need to pay for non fulfilment of certain commitments as per the terms of the sales order. These are determined on a case to case basis considering the dynamics of each sales order and the factors relevant to that sale.

## 6. Break up of the Accumulated Deferred Tax Asset, (Net) is given below

Particulars	Deferred Tax Asset/ (Liability) as at March 31, 2004	During the Year 2004-05	Deferred Tax Asset/ (Liability) as at March 31, 2005
<b>A. Deferred Tax Asset:</b>			
Provision for Generation Guarantee, LD and O&M Warranty	147.82	137.37	285.19
Provision for Doubtful Debts	1.03	20.81	21.84
Provision for Bonus and Leave Encashment	0.76	(0.03)	0.73
<b>(a)</b>	<b>149.61</b>	<b>158.15</b>	<b>307.76</b>
<b>B. Deferred Tax Liability:</b>			
Depreciation on Fixed Assets	44.31	(12.61)	31.70
<b>(b)</b>	<b>44.31</b>	<b>(12.61)</b>	<b>31.70</b>
<b>C. Deferred Tax Asset (Net) (A - B)</b>	<b>105.30</b>	<b>170.76</b>	<b>276.06</b>



## SUZLON ENERGY LIMITED

### 7. Amounts Due from Companies under the same Management

Particulars	2004-05	2003-04
<b>Loans &amp; Advances</b>		
Suzlon Energy GmbH	61.24	26.42
Suzlon Developers Limited	724.95	24.47
Sarjan Realities Limited	1136.40	450.20
Suzlon Windfarm Services Limited*	–	110.00
	<b>1922.59</b>	<b>611.09</b>
<b>Sundry Debtors</b>		
Suzlon Developers Limited	104.07	–
	<b>104.07</b>	<b>0.00</b>

\* In the current year Suzlon Windfarm Services Ltd. is not a Company under the same management.

### 8. Earnings Per Share ('EPS')

All Amounts in Rs. millions Except per Share Data

Particulars	2004-05	2003-04
<b>Basic Earnings per Share (After Exceptional Items)</b>		
<b>Numerator for Basic EPS</b>		
Net Profit after Tax and before exceptional items	3,614.68	1,192.07
Add: Exceptional Items	–	266.93
Less: Preference Dividend and Dividend Tax	17.20	1.02
(a)	<b>3,597.48</b>	<b>1,457.98</b>
<b>Denominator for Basic EPS</b>		
Weighted average number of Equity Shares (See Note a Below)	(b) 253,005,661	219,130,200
<b>Basic and Diluted Earning per share of face value of Rs.10/- each (After Exceptional Items) (See Note b Below) (a / b *1,000,000)</b>	<b>14.21</b>	<b>6.65</b>
<b>Basic Earnings per share (Before Exceptional Items)</b>		
<b>Numerator for Basic EPS</b>		
Numerator as per (a) above	3,597.48	1,457.98
Less: Exceptional Items	–	(266.93)
(c)	<b>3,597.48</b>	<b>1,191.05</b>
<b>Denominator for Basic EPS</b>		
Weighted average number of Equity Shares as per (b) above (See Note a Below)	(d) 253,005,661	219,130,200
<b>Basic and Diluted Earning per share of face value of Rs. 10/- each (Before Exceptional Items) (See Note b Below) (c / d *1,000,000)</b>	<b>14.21</b>	<b>5.43</b>

#### Notes:

- (a) Of the total equity capital of 86,922,900 Equity Shares, 57,948,600 Equity Shares are issued as bonus shares in the ratio of 2 Equity Shares for every 1 Equity Share held during the financial year 2004-05. Further, after the balance sheet date, on June 16, 2005, an issue of 173,845,800 shares was made as bonus shares in the ratio of 2 Equity Shares for every 1 Equity Share held. These, as per the requirements of Accounting Standard-20 'Earnings per share ('AS-20') issued by the ICAI, have been considered in the computation of weighted average number of shares for computation of EPS.



# SUZLON ENERGY LIMITED



- (b) As per the requirement of Accounting Standard-20 'Earnings per share', issued by the ICAI, the corresponding figures relating to previous reporting period have been restated to give the effect of Bonus shares.

In respect of bonus shares on those Equity Shares which were issued during the year, the weight of the bonus shares has been considered as outstanding from the date the consideration for the shares on which bonus shares issued was received. Since, these Equity Shares were not existing during the previous year no effect of restatement has been given for the bonus shares on these Equity Shares in the corresponding number of shares of the previous year. The position taken by the Company has also been supported by an independent opinion of an expert.

- (c) As per the terms of agreement with the Preference Shareholders holding 10,000,000 redeemable Preference Shares of Rs. 100 each (referred to in Schedule O, Note 3b), these Preference Shares, are to be compulsorily redeemed if an IPO occurs before December 31, 2005. Since, the Company is in the process of filing its Offer Document with the Securities and Exchange Board of India ('SEBI'), management considers it reasonably certain that the IPO will occur before December 31, 2005 and hence the redeemable Preference Shares will be redeemed in full. Accordingly, no dilutive effect of these preference shares has been considered.

In the event that the IPO does not occur before December 31, 2005, the Preference Shareholders will be entitled to convert the Preference Shares at certain specified prices in the future. If the most favourable conversion price to the Preference Shareholders is considered, the diluted EPS for the current year would be Rs. 14.05 per share.

## 9. Operating Leases

### Premises

The Company has taken certain premises under cancellable operating leases. The total rental expense under Cancellable operating leases during the period was Rs. 17.26 millions (Rs. 6.76 millions).

The Company has also taken furnished / non-furnished offices and certain other premises under non-cancellable operating lease agreement ranging for a period of one to five years. The lease rental charge during the year is Rs. 17.67 millions (Rs. Nil) and maximum obligation on long term non-cancellable operating lease payable as per the rentals stated in respective agreement are as follows:

Obligation on Non-cancellable Operating Leases	Amount
Not later than one year	31.78
Later than one year and not later than five years	30.21
Later than five years	Nil

### Windmills

The Company has taken Windmills on non-cancellable operating lease, chargeable on per unit basis of net electricity generated and delivered. The lease amount would be determined in the future on the numbers of units generated. Lease rental expense for the period is Rs. 23.49 millions (Rs. 0.95 millions).

Sublease rental income recognized in the statement of profit and loss account for the period is Rs. 23.49 millions (Rs. 0.95 millions)

## 10. Other Notes

- Share issue expenses include expenditure on issue of equity and Preference Shares amounting to Rs. 75.73 (Rs. Nil) millions.
- Term Loans from banks amounting to Rs. 119.65 millions (Rs. 395.87 millions) and working capital facilities from banks amounting to Rs. 2124.43 millions (Rs. 863.05 millions) are secured by personal guarantee of directors.
- During the year the Company has retired and disposed off certain fixed assets at various locations. In compliance with Accounting Standard 10 "Accounting for Fixed Assets", issued by the ICAI, these assets have been eliminated from the financial statements. Consequently there is a reduction in the Gross Block as at March 31, 2005 by Rs. 48.73 millions and the corresponding accumulated Depreciation as at the same date by Rs. 48.20 millions pertaining to these assets.

# SUZLON ENERGY LIMITED



4. The Company has granted loans aggregating Rs. 1,364.14 millions to Suzlon Developers Private Limited and aggregating Rs. 1,101.20 millions to Sarjan Realities Private Limited for which the Company had not obtained prior approval of the Central Government as required by section 295(1) of the Companies Act, 1956. However, these loans have been repaid in full as on March 31, 2005.
5. Sales do not include excise duty and sales tax as the products manufactured and sold by the Company are exempted from excise duty and sales tax, but include Duty Drawback Income of Rs. 0.27 millions (Rs. 15.74 millions).
6. Exceptional Items in the previous year ended March 31, 2004 aggregating to Rs. 266.93 millions pertain to Rs. 122.52 millions representing write back of unclaimed creditors and Rs. 144.41 millions representing write back of provision for plant load factor no longer required.
7. Balances of Sundry Debtors include Rs 224.83 millions (Rs. 405.46 millions), which are contractually payable beyond a period of six months from the date of sale.

## 11. Managerial Remuneration to Directors

Particulars	2004-05	2003-04
Salaries	8.56	8.04
Perquisites	5.97	1.23
Contribution to Superannuation Fund	1.78	1.25
	16.31	10.52

The directors are covered under the Company's scheme for gratuity along with the other employees of the Company. Proportionate amount of gratuity is not included in the aforementioned disclosure, as the amount attributable to directors is not ascertainable.

## 12. (a) Contingent Liabilities

Particulars	March 31, 2005	March 31, 2004
Guarantees given on behalf of subsidiaries in respect of loans granted to them by banks	590.50	152.67
Guarantees given on behalf of other companies in respect of loans granted to them by banks	13.95	210.27
Claims against the Company not acknowledged as debts	17.46	14.86
Bills Discounted with banks	33.25	90.25
Uncalled liability on partly paid up shares	0.00	0.01

- (b) Estimated amount of contracts remaining to be executed on capital account and not provided for net of advances Rs. 130.91 millions (Rs. 74.31 millions).

## 13. Additional information pursuant to the provisions of paragraphs 3, 4B, 4C, 4D of part II of the Schedule VI of the Companies Act, 1956.

### (a) Auditors' Remuneration and Expenses

Particulars	2004-05	2003-04
(i) Statutory Audit Fees	4.63	0.54
(ii) Tax Audit Fees	0.22	0.05
(iii) Taxation Matters	0.00	0.16
(iv) Other Services	6.53	0.49
(v) Reimbursement of Expenses	0.82	0.23
	12.20	1.47

## SUZLON ENERGY LIMITED



## (b) Licensed and Installed Capacities and Production

Class of Products	Licensed Capacity	Installed Capacity	Production
Wind Turbine Generators	N.A.	1,240 Nos. (1240 Nos.)	446 Nos. (201 Nos.)
Rotor Blades	N.A.	3,630 Nos. (3630 Nos.)	1,172 Nos. (620 Nos.)

## (c) Details of Opening Stock, Turnover and Closing Stock

Particulars	2004-05		2003-04	
	Qty. (Nos.)	Amount	Qty. (Nos.)	Amount
<b>Opening Stock</b>				
Wind Turbine Generators	5	141.26	2	41.06
Land/Lease Rights	N.A.	10.87	N.A.	2.65
		152.13		43.71
<b>Turnover</b>				
Wind Turbine Generators and Parts	451	19,125.20	198	7,878.40
Land/Lease Rights and Others	N.A.	49.83	N.A.	33.11
		19,175.03		7,911.51
<b>Closing Stock</b>				
Wind Turbine Generators	Nil	Nil	5	141.26
Land/Lease Rights	N.A.	104.54	N.A.	10.87
		104.54		152.13

## (d) Raw Materials Consumed

Particulars (Units)	2004-05		2003-04	
	Qty.	Amount	Qty.	Amount
(i) Gear Box (Nos)	466	2,236.52	202	1,004.46
(ii) Tower (tonnes)	43,198	2,446.20	18,217	741.56
(iii) Others (See Note Below)	Various	7,115.06	Various	3,392.00
		11,797.78		5,138.02

It is not practicable to furnish quantitative information in view of large number of items which differ in size and nature, each being less than 10% in value of the total raw materials consumed.



# SUZLON ENERGY LIMITED

## (e) Imported and Indigenous Consumption

### (i) Raw Materials

Particulars	2004-05		2003-04	
	Amount	%	Amount	%
Imported	5,918.05	50.16	2,800.96	54.51
Indigenous	5,879.73	49.84	2,337.06	45.49
	11797.78	100.00	5,138.02	100.00

### (ii) Stores and Spares

Particulars	2004-05		2003-04	
	Amount	%	Amount	%
Imported	Nil	0.00	Nil	0.00
Indigenous	65.36	100.00	34.91	100.00
	65.36	100.00	34.91	100.00

## (f) Value of Imports on CIF Basis

Particulars	2004-05	2003-04
(i) Raw Materials	7,080.30	3,231.63
(ii) Capital Goods	216.98	145.75
	7,297.28	3,377.38

## (g) Expenditure in Foreign Currency (on accrual basis)

Particulars	2004-05	2003-04
(i) Consultancy	17.58	7.73
(ii) R & D and Quality Assurance	105.93	82.80
(iii) Interest	44.05	4.20
(iv) Others	210.62	47.98
	378.18	142.71

## (h) Dividend remitted in Foreign Currency during the year

Rs. 13.70 millions (Rs. Nil) have been remitted in foreign currency on account of dividends.

## (i) Earnings in Foreign Currency (on accrual basis)

Particulars	2004-05	2003-04
(i) Export Sales (F.O.B. Value)	5.77	346.53
(ii) Interest on Loans	22.19	16.63
	27.96	363.16

# SUZLON ENERGY LIMITED



## 14. Related Party Disclosures

### (a) Name of the Related Party and nature of relationship where control exists

Name of the Party	Nature of Relationship
AE-Rotor Holding B.V.*	Subsidiary
AE-Rotor Techniek B.V.*	Subsidiary
Suzlon Energy B.V.*	Subsidiary
Suzlon Energy GmbH*	Subsidiary
Suzlon Windfarm Services Limited*	Subsidiary
Suzlon Energy A/S*	Subsidiary
Suzlon Wind Energy Corporation*	Subsidiary
Suzlon Energy Australia Pty. Limited*	Subsidiary
Suzlon Structures Private Limited*	Subsidiary
Suzlon Green Power Limited*	Subsidiary
Suzlon Wind Project Services Corporation*	Subsidiary
Cannon Ball Wind Energy Park	Subsidiary
Suzlon Generators Private Limited*	Subsidiary

\*Transactions taken place during the year

### (B) Other Related Parties with whom transactions have taken place during the year

#### (i) Associates

Suzlon Developers Limited, Sarjan Realities Limited.

#### (ii) Entities where Key Management Personnel ('KMP') / Relatives of Key Management Personnel ('RKMP') has significant influence

Suzlon Gujarat Windpark Limited, Sarjan Infrastructure Finance Limited, Suzlon Capital Limited, Sarjan Engitech Private Limited, SNS Textiles Limited, Suzlon Hotels Limited, Suzlon Power Infrastructure Private Limited.

#### (iii) Key Management Personnel

Tulsi R. Tanti, Vinod R. Tanti, Girish R. Tanti, Balrajsinh A. Parmar.

#### (iv) Relatives of Key Management Personnel

Gita T. Tanti, Pranav T. Tanti, Nidhi T. Tanti, Sangita V. Tanti, Rajan V. Tanti, Jitendra R. Tanti, Rambhaben Ukabhai, Isha G. Tanti, Sheela B. Parmar, Ranjitsinh A. Parmar, Amarsinh A. Parmar, Kiritsinh A. Parmar.

#### (v) Employee Funds

Suzlon Energy Limited – Superannuation Fund.

Suzlon Energy Limited – Employees Group Gratuity Scheme.

## SUZLON ENERGY LIMITED



## (C) Transactions between the Company and Related Parties and the Status of Outstanding Balances as at March 31, 2005

Particulars	Subsidiary	Associate	Entities where KMP/ RKMP has significant influence	KMP	RKMP	Employee Funds
<b>Transactions</b>						
Purchase of Fixed Assets (Including Intangibles)	123.21 (54.13)	— (5.00)	— (—)	— (—)	— (—)	— (—)
Sale of Fixed Assets	— (—)	0.24 (—)	— (—)	1.62 (—)	0.60 (—)	— (—)
Subscription to / Purchase of Preference Shares	8.91 (—)	50.00 (—)	1.30 (90.00)	24.53 (—)	27.94 (—)	— (—)
Subscription to / Purchase of Equity Shares	848.10 (317.18)	— (—)	— (—)	15.44 (2.09)	39.65 (7.60)	— (—)
Sale of Investments	196.47 (—)	— (—)	12.42 (—)	— (7.07)	— (3.74)	— (—)
Loans / Deposit Given	646.33 (491.28)	4,301.74 (1,828.03)	0.30 (141.50)	— (—)	— (—)	— (—)
Sale of Goods	43.11 (358.78)	361.17 (0.10)	— (301.52)	— (—)	— (—)	— (—)
Discount Given on Sale	45.46 (—)	— (—)	— (—)	— (—)	— (—)	— (—)
Purchase of Goods and Services	367.74 (29.05)	154.38 (111.39)	34.07 (112.20)	— (—)	— (—)	— (—)
Interest Received	43.83 (21.62)	109.61 (40.05)	0.53 (0.59)	— —	— —	— —
Interest Paid	— (—)	— (—)	— (1.09)	— (—)	— (—)	— (—)
Dividend Received / Accrued	22.61 (0.98)	2.14 (2.14)	— (1.21)	— (—)	— (—)	— (—)
Rent Received	0.02 (—)	0.52 (1.53)	— (0.02)	— (—)	— (—)	— (—)
Rent / Hotel Charges Paid	— (—)	— (—)	4.09 (2.39)	0.06 (0.06)	— (—)	— (—)
Managerial Remuneration	— (—)	— (—)	— (—)	16.31 (10.52)	— (—)	— (—)
Contribution to Various Funds	— (—)	— (—)	— (—)	— (—)	— (—)	13.44 (7.52)
Guarantees Given	480.00 (—)	— (—)	— (172.00)	— (—)	— (—)	— (—)



## SUZLON ENERGY LIMITED



## (C) Transactions between the Company and Related Parties and the Status of Outstanding Balances as at March 31, 2005 (Contd...)

Particulars	Subsidiary	Associate	Entities where KMP/ RKMP has significant influence	KMP	RKMP	Employee Funds
<b>Outstanding Balances</b>						
Investments	179.01 (15.10)	66.50 (16.50)	8.70 (108.00)	- (-)	- (-)	- (-)
Sundry Debtors	23.46 (542.79)	104.07 (-)	- (-)	- (-)	0.10 (-)	- (-)
Loans / Deposits Outstanding	653.46 (708.16)	1,861.35 (474.67)	39.15 (147.00)	- (-)	- (-)	- (-)
Advances / Deposits to Suppliers	- (-)	- (-)	17.29 (-)	- (-)	- (-)	- (-)
Sundry Creditors	111.55 (45.95)	1.98 (5.98)	1.44 (0.24)	- (-)	- (-)	4.49 (-)
Corporate Guarantees	629.16 (152.67)	13.95 (18.58)	- (191.69)	- (-)	- (-)	- (-)

## Notes :

Guarantees amounting to Rs. 425.08 (Rs. 285.00) millions have been given jointly by a combination of either or all of the following entities in connection with various loans taken by the Company:

Suzlon Windfarm Services Limited, Suzlon Developers Limited, Suzlon Wind Energy Corporation and Sarjan Realities Limited.

Certain subsidiaries and group companies have been allowed to make free of charge use of SAP software owned by the Company.

# SUZLON ENERGY LIMITED



## (D) Disclosure of Significant Transactions with Related Parties

Type of the Transaction	Type of Relationship	Name of the Entity / Person	2004-05	2003-04
Purchase of Fixed Assets (Including Intangibles)	Subsidiary	AE-Rotor Techniek B.V.	60.56	54.13
	Subsidiary	Suzlon Energy GmbH	14.44	–
	Subsidiary	AE-Rotor Holding B.V.	48.21	–
Sale of Fixed Assets	KMP	Girish R. Tanti	1.62	–
	RKMP	Ranjitsinh A. Parmar	0.60	–
Subscription to / Purchase of Preference Shares	Associate Entities where KMP/ RKMP has significant influence	Suzlon Developers Limited	50.00	–
		Suzlon Windfarm Services Limited	–	90.00
Subscription to / Purchase of Equity Shares	Subsidiary	Suzlon Energy A/S	527.43	–
	Subsidiary	Suzlon Generators Private Limited	87.12	–
	Subsidiary	Suzlon Structures Private Limited	107.45	–
	Subsidiary	AE-Rotor Holding B.V.	30.82	58.52
	Subsidiary	Suzlon Wind Energy Corporation	44.70	234.56
Sale of Investments	Subsidiary	Suzlon Energy A/S, Denmark	196.47	–
	KMP	Vinod Tanti	–	2.60
	KMP	Tulsi Tanti	–	3.44
	RKMP	Jitendra Tanti	–	2.70
Loans /Deposits Given	Subsidiary	Suzlon Wind Energy Corporation	53.83	299.48
	Associate	Suzlon Developers Limited	2,064.14	897.10
	Associate	Sarjan Realities Limited	2,237.70	930.93
Sale of Goods	Subsidiary	Suzlon Wind Energy Corporation	–	358.78
	Subsidiary	Suzlon Windfarm Services Limited	35.84	–
	Entities where KMP/ RKMP has significant influence	Suzlon Windfarm Services Limited	–	300.80
	Associate	Suzlon Developers Limited	361.17	–
Discount Given on Sale	Subsidiary	Suzlon Wind Energy Corporation	45.46	–
Purchase of Goods and Services	Subsidiary	Suzlon Windfarm Services Limited	261.87	–
	Entities where KMP/ RKMP has significant influence	Suzlon Windfarm Services Limited	–	111.55
	Subsidiary	AE-Rotor Techniek B.V.	25.35	27.35
	Associate	Suzlon Developers Limited	154.38	111.39
Interest Received	Subsidiary	AE-Rotor Holding B.V.	6.73	7.00
	Subsidiary	Suzlon Wind Energy Corporation	11.94	9.36
	Associate	Sarjan Realities Limited	78.07	31.66
	Associate	Suzlon Developers Limited	31.54	8.39
Interest Paid	Entities where KMP/ RKMP has significant influence	Sarjan Infrastructure Finance Limited	–	1.09

## SUZLON ENERGY LIMITED



## (D) Disclosure of Significant Transactions with Related Parties (Contd...)

Type of the Transaction	Type of Relationship	Name of the Entity / Person	2004-05	2003-04
Dividend Received/ Accrued	Subsidiary	Suzlon Windfarm Services Limited	14.78	-
	Entities where KMP/RKMP has significant influence	Suzlon Windfarm Services Limited	-	1.21
	Subsidiary	Suzlon Green Power Limited	7.83	0.98
	Associate	Suzlon Developers Limited	0.85	0.85
	Associate	Sarjan Realities Limited	1.30	1.30
Rent Received	Associate	Suzlon Developers Limited	0.52	1.53
Rent / Hotel Charges Paid	Entities where KMP/RKMP has significant influence	Suzlon Hotels Limited	1.69	2.39
	Entities where KMP/RKMP has significant influence	Sarjan Engitech Private Limited	2.40	-
Contribution to Various Funds	Employee Funds	Suzlon Energy Limited – Superannuation Fund	8.95	6.15
	Employee Funds	Suzlon Energy Limited – Employees Group Gratuity Scheme	4.49	1.38
Managerial Remuneration	KMP	Tulsi Tanti	4.43	1.99
	KMP	Girish Tanti	3.91	2.42
	KMP	Vinod Tanti	3.85	2.53
	KMP	Balrajsinh Parmar	4.12	3.58
Guarantees Given	Subsidiary	Suzlon Structures Private Limited	320.00	-
	Subsidiary	Suzlon Windfarm Services Limited	160.00	-
	Entities where KMP/ RKMP has significant influence	Suzlon Windfarm Services Limited	-	172.00

15. Figures have been rounded off to the nearest ten thousand rupees. Prior year amounts were audited by SNK & Co., Chartered Accountants only and have been reclassified wherever necessary to conform with current period's presentation. Figures in the brackets are in respect of the previous year.

## Signatures to Schedule 'A' to 'O'

As per our report of even date

For and on behalf of the Board of Directors

For SNK & CO.  
Chartered AccountantsFor S.R. BATLIBOI & CO.  
Chartered AccountantsTulsi R. Tanti  
Chairman & Managing DirectorJasmin B. Shah  
Partner  
M. No. 46238Arvind Sethi  
Partner  
M. No. 89802Hemal A. Kanuga  
Company SecretaryGirish R. Tanti  
DirectorPlace : Pune  
Date : June 24, 2005Place : Pune  
Date : June 24, 2005Place : Mumbai  
Date : June 24, 2005

## SUZLON ENERGY LIMITED



## Cash Flow Statement for the Year Ended March 31, 2005

All Amounts in Millions of Rupees Unless Otherwise Stated

Particulars	2004-05	2003-04
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit Before Taxation and Exceptional Items	3,924.53	1,220.25
Add: Exceptional Items	-	266.93
<b>Adjustments for</b>		
Depreciation	389.66	96.54
Loss on Sale of Fixed Assets	4.43	5.15
(Profit) / Loss on Sale of Investments	100.88	(8.96)
Interest Income	(205.58)	(121.13)
Dividend Income	(20.26)	(4.36)
Interest Expenses	319.27	198.40
Bad Debts Written Off	-	3.93
Provision for Warranties and Guarantees	1,189.84	406.65
Preliminary Expenses Incurred	-	(0.62)
Preliminary Expenses Written Off	0.62	0.32
Provision for Doubtful Debts and Advances	89.30	44.10
Wealth Tax	0.14	0.15
<b>Operating Profit before Working Capital Changes</b>	<b>5,792.83</b>	<b>2,107.35</b>
<b>Movements in Working Capital</b>		
Decrease / (Increase) in Sundry Debtors	(3,686.20)	(726.69)
Decrease / (Increase) in Inventories	2,928.75	(1,174.63)
Decrease / (Increase) Loans and Advances	(259.27)	(369.69)
Increase / (Decrease) in Current Liabilities	2,131.64	1,052.46
Cash Generated from Operations	1,050.25	888.80
Direct Taxes Paid	417.98	104.01
<b>Net Cash Used in Operating Activities</b>	<b>632.27</b>	<b>784.79</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(702.80)	(895.30)
Proceeds from Sale of Fixed Assets	4.24	1.12
Purchase of Investments	(853.78)	(430.44)
Inter Corporate Deposits Granted	(1,355.24)	(181.37)
Sale of Investments	26.03	12.46
(Loans Granted to)/Repayments Received from Subsidiaries	149.34	(453.11)
Interest Received	204.64	116.97
Dividends Received	0.84	4.36
<b>Net Cash Used in Investing Activities</b>	<b>(2,526.73)</b>	<b>(1,825.31)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Share Capital Including Premium	2,000.00	150.00
Redemption of Preference Share Capital	-	(10.25)
Share Issue Expenses	(75.73)	-
Proceeds from Borrowings	1,711.33	1,552.38
Repayment of Borrowings	(692.52)	(222.14)
Interest Paid	(314.37)	(195.70)
Dividends Paid	(403.18)	(135.25)
Tax on Dividends Paid	(52.68)	(17.34)
<b>Net Cash from Financing Activities</b>	<b>2,172.85</b>	<b>1,121.70</b>
<b>D. NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>278.39</b>	<b>81.18</b>
Cash and Cash Equivalents at the Beginning of the Period	603.60	522.42
Cash and cash Equivalents at the End of the Period	881.99	603.60
<b>Components of Cash and Cash Equivalents as at</b>		
Cash and Cheques on Hand	2.03	1.56
<b>With Banks</b>		
On Current Account	182.99	169.37
On Deposit Account	696.97	432.67

Notes: 1. Purchase of fixed assets includes payments for items in capital work-in-progress and advances for purchase of fixed assets.  
2. Previous year's figures have been regrouped / reclassified, wherever necessary.

As per our report of even date

For and on behalf of the Board of Directors

For SNK & CO.  
Chartered Accountants

For S.R. BATLIBOI & CO.  
Chartered Accountants

Tulsi R. Tanti  
Chairman & Managing Director

Jasmin B. Shah  
Partner  
M. No. 46238

Arvind Sethi  
Partner  
M. No. 89802

Hemal A. Kanuga  
Company Secretary

Girish R. Tanti  
Director

Place : Pune  
Date : June 24, 2005

Place : Pune  
Date : June 24, 2005

Place : Mumbai  
Date : June 24, 2005



# SUZLON ENERGY LIMITED



## Statement Pursuant to Section 212 of the Companies Act, 1956, Relating to Subsidiary Companies

1. Name of the Subsidiary Company	AE-Rotor Holding B.V.	AE-Rotor Techniek B.V.	Suzlon Energy BV (Formerly Known as AE-Rotor B.V.)	Suzlon Energy A/S, Denmark	Suzlon Wind Energy Corporation (Please refer note 2)
2. Financial Year Ended on	December 31, 2004	December 31, 2004	December 31, 2004	December 31, 2004	December 31, 2004
3. Number of Shares held by Suzlon Energy Limited in the Subsidiary Companies at the end of the financial year of the Subsidiary Companies					
(a) Equity Shares	157,500 Equity Shares of Euro 10 each	Refer Note 1	Refer Note 1	30,000 Equity Shares of 100 DKK each	1,000 Equity Shares of 1 USD each
(b) Preference Shares	-	-	-	-	-
(c) Extent of Equity Holding	100%	Refer Note 1	Refer Note 1	100%	100%
(d) Extent of Preference Holding	-	-	-	-	-
4. Net aggregate amount of profit / (losses) of the subsidiary for the above financial year so far as they concern the members of Suzlon Energy Limited					
(a) Dealt with in the accounts of Suzlon Energy Limited	Nil	Nil	Nil	Nil	Nil
(b) Not dealt with in the accounts of Suzlon Energy Limited (Rs. in Millions)	2.93	4.18	(0.16)	(20.14)	(27.62)
5. Net aggregate amount of profit / (losses) of the subsidiary for the previous financial years so far as they concern the members of Suzlon Energy Limited					
(a) Dealt with in the accounts of Suzlon Energy Limited	Nil	Nil	Nil	Nil	Nil
(b) Not dealt with in the accounts of Suzlon Energy Limited (Rs. in Millions)	(33.18)	8.99	(3.14)	Nil	(168.09)
6. Material changes if any between the end of the financial year of the subsidiary and Suzlon Energy Limited					
(a) Fixed Assets	(Euro 20,278) Rs. 1.15 millions	(Euro 6,136) Rs. 0.35 millions	Nil	DKK 425,225 Rs. 3.23 millions	USD 149,721 Rs. 6.55 millions
(b) Investments	Nil	Nil	Nil	DKK 25,384,300 (See Note 2) Rs. 192.67 millions	Nil
(c) Money lent by it	Euro 177,026 Rs. 10.03 millions	Euro 250 Rs. 0.014 millions	Nil	DKK 6,301,093 (See Note 6) ie Rs. 47.83 millions	Nil
(d) Money borrowed by it other than for meeting current liabilities	Euro 75,000 Rs. 4.25 millions	Euro 177,026 Rs. 10.03 millions	Euro 629 Rs. 0.36 millions	Nil	USD 105,643 Rs. 4.62 millions

### Note:

- AE-Rotor Holding BV holds:  
1,800 Equity shares of Euro 10 each in AE-Rotor Techniek B.V. constituting 100 % of its paid up capital and  
1,800 Equity Shares of Euro 10 each in Suzlon Energy B.V. (formerly known as AE Rotor B.V.) constituting 100% of its capital
- Suzlon Energy A/S, Denmark holds  
550,001 Equity Shares of AUD 1 each in Suzlon Energy Australia Pty. Ltd.  
1,000 Equity Shares of USD 1 each in Suzlon Wind Energy Corporation  
Suzlon Energy A/S, Denmark, a 100% subsidiary of Suzlon Energy Ltd., purchased on March 1, 05, 100 % shareholding of Suzlon Energy Ltd. in Suzlon Wind Energy Corporation and Suzlon Energy Australia.
- Suzlon Wind Energy Corporation holds:  
1,000 Equity shares of USD 1 each in Suzlon Wind Project Services Corporation constituting 100 % of its paid up capital and,  
1,000 Equity shares of USD 1 each in Cannon Ball Wind Energy Park – 1, LLC constituting 100 % of its paid up capital  
However w.e.f. 09-03-05, Suzlon Wind Project Services Corporation has merged with Suzlon Wind Energy Corporation, hence figures in section 6, for Suzlon Wind Energy Corporation pertain to the merged company.

# SUZLON ENERGY LIMITED

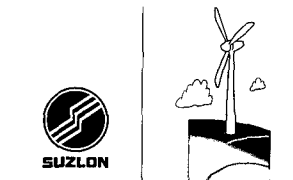


Suzlon Wind Project Services Corporation	Cannon Ball Wind Energy Park-1, LLC	Suzlon Energy Australia Pty. Ltd. (Please refer note 2)	Suzlon Energy GmbH	Suzlon Windfarm Services Limited	Suzlon Green Power Limited	Suzlon Generators Private Limited	Suzlon Structures Private Limited
December 31, 2004	December 31, 2004	December 31, 2004	December 31, 2004	March 31, 2005	March 31, 2005	March 31, 2005	March 31, 2005
Refer Note 3	Refer Note 3	550,001 Shares of 1 AUD each	2 Equity Shares of Euro 12,500 each	2,000,000 Equity Shares of Rs. 10 each	4,990,000 Equity Shares of Rs. 10 each	8,721,500 Equity Shares of Rs. 10 each	11,249,500 Equity Shares of Rs. 10 each
-	-	-	-	1,250,000 Preference Shares of Rs 100 each	451,000 Preference Shares of Rs. 100 each	-	89,100 Preference Shares of Rs. 100 each
Refer Note 3	Refer Note 3	100%	100%	100%	100%	75%	75%
-	-	-	-	100%	100%	-	75%
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(4.11)	(1.23)	(23.80)	1.16	37.44	23.06	Nil	(2.94)
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(20.42)	(4.69)	Nil	(4.69)	50.63	6.40	Nil	Nil
Nil (See Note 3)	Nil	AUD 165,836 Rs. 5.61 millions	Euro 24,416 Rs. 1.38 millions	NA	NA	NA	NA
Nil (See Note 3)	Nil	Nil	Nil	NA	NA	NA	NA
Nil (See Note 3)	Nil	Nil	Nil	NA	NA	NA	NA
Nil (See Note 3)	Nil	AUD 615,000 Rs. 20.81 millions	(Euro 36,100) Rs. 2.05 millions	NA	NA	NA	NA

- 4 The amounts shown under 4 (b) above represent the net aggregate amounts of profits / (losses) of the subsidiaries attributable to the direct / indirect holding of the Company. Average exchange rates for the year has been used to arrive at the rupee equivalents (USD 1.00 = Rs. 43.675, AUD 1.00 = Rs. 33.67, DKK 1.00 = Rs. 7.81 and Euro 1.00 = Rs. 56.49)
- 5 The rupee equivalent of Foreign currencies have been given at the closing exchange rate as at 31st December, 2004 (USD 1.00 = Rs. 43.46, AUD 1.00 = Rs. 33.89, DKK 1.00 = Rs. 7.92 and Euro 1.00 = Rs. 59.29). For Material changes the rates of exchange as at March 31, 2005 have been considered (USD 1.00 = Rs. 43.745, AUD 1.00 = 33.84, DKK 1.00 = Rs. 7.59 and Euro 1.00 = Rs. 56.67)
- 6 Suzlon Energy A/S, Denmark has advanced loans to its wholly owned subsidiaries - Suzlon Wind Energy Corporation and Suzlon Energy Australia Pty. Ltd.



# SUZLON ENERGY LIMITED



## Suzlon Energy Limited and its Subsidiaries Auditors' Report

To,  
The Board of Directors,  
Suzlon Energy Limited.

1. We SNK & Co. Chartered Accountants ('SNK') and S.R. Batliboi & Co, Chartered Accountants, ('SRB') have audited the attached consolidated balance sheet of **Suzlon Energy Limited** ('SEL') and its subsidiaries (together referred to as 'the Group', as described in Schedule O, Note 5) as at **March 31, 2005** and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of SEL's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not jointly audit the financial statements of the following companies, whose total revenues and assets to the extent they are included in the consolidated financial statements of the Group are as given below:

Name of the Company	Extent of Share in Consolidated Revenues (%)	Extent of Share in Consolidated Assets (%)
Suzlon Windfarm Services Limited	1.14	4.35
Suzlon Green Power Limited	0.45	1.10
Suzlon Generators Private Limited	0.00	0.70
Suzlon Structures Private Limited	0.00	3.49

These financial statements have been audited solely by SNK and have been accepted without verification by SRB and hence our joint audit opinion insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of SNK.

4. We did not audit the financial statements of the following companies, whose total revenues and assets to the extent they are included in the consolidated financial statements of the Group are as given below:

Name of the Company	Extent of Share in Consolidated Revenues (%)	Extent of Share in Consolidated Assets (%)
Suzlon Wind Energy Corporation, USA ('SWECO') (See Note 1 below)	0.21	0.00
Suzlon Energy A/S, Denmark (See Note 1 below) ('Suzlon Denmark')	0.01	3.82
Suzlon Energy Australia Pty. Limited (See Note 1 below)	0.00	0.00
AE Rotor Holdings BV, Netherlands (See Note 2 below) ('AERH')	0.00	1.03
Suzlon Energy GmbH ('Suzlon GmbH')	0.00	0.62

### Notes:

1. Upto February 28, 2005, SWECO and Suzlon Energy Australia Pty. Limited were direct subsidiaries of SEL. With effect from March 1, 2005, SWECO and Suzlon Energy Australia Pty. Limited are direct subsidiaries of Suzlon Denmark. The financial statements of Suzlon Denmark included in the consolidated financial statements of SEL, are the consolidated financial statements and include the financial statements of SWECO (consolidated) and Suzlon Energy Australia Pty. Limited with effect from March 1, 2005.
2. The financial statements of AERH include the standalone financial statements of AERH and its subsidiaries AE Rotor Techniek BV and Suzlon Energy BV

These financial statements have been prepared under the relevant applicable Generally Accepted Accounting Principles ('GAAP') of the Country where the subsidiary is registered. Adjustments have been made to realign the accounting policies of these subsidiaries to those of SEL, which have been reviewed by us jointly for the year ended March 31, 2005.

Further, where the reporting dates of the respective subsidiary is not the same as that of SEL, adjustments have been made for the effect of significant transactions or other events that have occurred between the reporting date of the subsidiary and the date of SEL's financial statements. These significant transactions have been examined and reported upon by the respective auditors and have been relied upon by us.

# SUZLON ENERGY LIMITED



5. We report that the consolidated financial statements have been prepared by SEL's management in accordance with the requirements of Accounting Standard-21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate financial statements of SEL and its subsidiaries.
6. In our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;
- (a) in the case of the **Consolidated Balance Sheet**, of the state of affairs of the Group as at **March 31, 2005**;
- (b) in the case of the **Consolidated Profit and Loss Account**, of the profit of the Group for the year ended on that date;
- (c) in the case of the **Consolidated Cash Flow Statement**, of the cash flows of the Group for the year then ended on that date.

For SNK & CO.  
Chartered Accountants

For S.R. BATLIBOI & CO.  
Chartered Accountants

Place : Pune  
Date : June 24, 2005

Jasmin B. Shah  
Partner  
M. No. 46238

Arvind Sethi  
Partner  
M. No. 89802

Report  junction.com

## SUZLON ENERGY LIMITED



## Suzlon Energy Limited and its Subsidiaries Consolidated Balance Sheet as at March 31, 2005

All Amounts in Millions of Rupees Unless Otherwise Stated

Particulars	Schedule	As at March 31, 2005	As at March 31, 2004
<b>SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
(a) Share Capital	A	2,019.23	393.48
(b) Share Application Money of Subsidiary Company Pending Allotment		0.50	-
(c) Reserves and Surplus	B	7,023.59	3,490.32
		<u>9,043.32</u>	<u>3,883.80</u>
Preference Shares Issued by Subsidiary Company (See Schedule O, Note 6 (c))		2.97	30.00
Minority Interest		64.48	-
<b>2. Loan Funds</b>			
(a) Secured Loans	C	3,567.18	1,878.55
(b) Unsecured Loans	D	390.93	505.08
		<u>3,958.11</u>	<u>2,383.63</u>
<b>TOTAL</b>		<u>13,068.88</u>	<u>6,297.43</u>
<b>APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>	E		
(a) Gross Block		3,596.88	1,912.22
(b) Less: Depreciation		807.68	315.03
(c) Net Block		<u>2,789.20</u>	<u>1,597.19</u>
Capital Work-in-Progress		289.40	124.27
		<u>3,078.60</u>	<u>1,721.46</u>
<b>2. Investments</b>	F	77.62	142.74
<b>3. Deferred Tax Asset, net</b> (See Schedule O, Note 7)		241.06	105.29
<b>4. Current Assets, Loans and Advances</b>	G		
(a) Inventories		5,755.68	2,211.17
(b) Sundry Debtors		6,928.89	3,442.80
(c) Cash and Bank Balances		1,544.64	680.64
(d) Loans and Advances		3,247.31	1,784.56
		<u>17,476.52</u>	<u>8,119.17</u>
Less: Current Liabilities and Provisions	H		
(a) Current Liabilities		5,979.97	2,989.76
(b) Provisions		1,829.03	803.57
		<u>7,809.00</u>	<u>3,793.33</u>
Net Current Assets		9,667.52	4,325.83
<b>5. Miscellaneous Expenditure</b> (To the extent not written off or adjusted)	I	4.09	2.10
<b>TOTAL</b>		<u>13,068.88</u>	<u>6,297.43</u>

Significant Accounting Policies and Notes to the Consolidated Financial Statements

O

As per our report of even date

For and on behalf of the Board of Directors

**For SNK & CO.**  
Chartered Accountants

**For S.R. BATLIBOI & CO.**  
Chartered Accountants

*Tulsi R. Tanti*  
Chairman & Managing Director

*Jasmin B. Shah*  
Partner  
M. No. 46238

*Arvind Sethi*  
Partner  
M. No. 89802

*Hemal A. Kanuga*  
Company Secretary

*Girish R. Tanti*  
Director

Place : Pune  
Date : June 24, 2005

Place : Pune  
Date : June 24, 2005

Place : Mumbai  
Date : June 24, 2005

## SUZLON ENERGY LIMITED



**Suzlon Energy Limited and its Subsidiaries**  
**Consolidated Profit and Loss Account for the Year Ended March 31, 2005**  
 All Amounts in Millions of Rupees Unless Otherwise Stated

Particulars	Schedule	For the Year ended March 31, 2005	For the Year ended March 31, 2004
<b>INCOME</b>			
Sales and Service Income		19,424.82	8,574.99
Other Income	J	234.38	173.63
<b>TOTAL</b>		<b>19,659.20</b>	<b>8,748.62</b>
<b>EXPENDITURE</b>			
Cost of Goods Sold	K	11,376.78	5,541.37
Operating and Other Expenses	L	2,737.77	1,313.04
Employees' Remuneration and Benefits	M	617.79	269.37
Financial Charges	N	458.25	275.63
Depreciation		493.25	136.12
Preliminary Expenses Written Off		1.81	0.87
<b>TOTAL</b>		<b>15,685.65</b>	<b>7,536.40</b>
Profit Before Tax, Minority Interest and Exceptional Items		3,973.55	1,212.22
Add: Exceptional items, [See Schedule O, Note 6 (g)]		-	266.93
<b>PROFIT BEFORE TAX AND MINORITY INTEREST</b>		<b>3,973.55</b>	<b>1,479.15</b>
Current Tax		489.09	131.74
Earlier Years' Tax		0.63	(7.78)
Deferred Tax		(167.41)	(94.05)
		322.31	29.91
<b>PROFIT BEFORE MINORITY INTEREST</b>		<b>3,651.24</b>	<b>1,449.24</b>
Add: Share of Loss of Minority		2.11	-
<b>PROFIT AFTER MINORITY INTEREST</b>		<b>3,653.35</b>	<b>1,449.24</b>
Add: Transferred to Goodwill		-	4.00
<b>PROFIT FOR THE YEAR</b>		<b>3,653.35</b>	<b>1,453.24</b>
Balance Brought Forward		2,781.83	2,109.37
<b>AMOUNT AVAILABLE FOR APPROPRIATIONS</b>		<b>6,435.18</b>	<b>3,562.61</b>
Interim Dividend on Equity Shares		231.84	73.04
Proposed Dividend on Equity Shares		115.92	170.44
Dividend on Preference Shares		19.62	4.80
Tax on Dividends		51.22	32.50
Transfer to General Reserve		1,000.00	500.00
		1,418.60	780.78
Balance Carried to Balance Sheet		5,016.58	2,781.83
Basic and Diluted Earning Per Share (Before Exceptional Items)		14.34	5.38
Basic and Diluted Earning Per Share (After Exceptional Items)		14.34	6.60
(Face Value of Rs. 10 each, See Schedule O, Note 10)			
Significant Accounting Policies and Notes to the Consolidated Financial Statements	O		

As per our report of even date

For and on behalf of the Board of Directors

For SNK & CO.  
Chartered AccountantsFor S.R. BATLIBOI & CO.  
Chartered AccountantsTulsi R. Tanti  
Chairman & Managing DirectorJasmin B. Shah  
Partner  
M. No. 46238Arvind Sethi  
Partner  
M. No. 89802Hemal A. Kanuga  
Company SecretaryGirish R. Tanti  
DirectorPlace : Pune  
Date : June 24, 2005Place : Pune  
Date : June 24, 2005Place : Mumbai  
Date : June 24, 2005

## SUZLON ENERGY LIMITED



## Schedules Annexed to and Forming Part of the Accounts

Schedules Forming Part of the Consolidated Balance Sheet

Particulars	As at March 31, 2005	As at March 31, 2004
<b>SCHEDULE - A : SHARE CAPITAL</b>		
<b>Authorised</b>		
101,000,000 (30,000,000) Equity Shares of Rs. 10/- each	1,010.00	300.00
11,500,000 (2,000,000) Preference Shares of Rs. 100/- each	1,150.00	200.00
	<b>2,160.00</b>	<b>500.00</b>
<b>Issued, Subscribed</b>		
<b>Equity:</b>		
86,922,900 (24,347,800) Equity Shares of Rs. 10/- each fully paid up <i>[Of the above Equity Shares 78,009,500 (20,060,900) Shares were allotted as fully paid Bonus Shares by utilisation of Rs 190.36 (190.36) millions from General Reserve, Rs 10.25 millions (10.25 millions) from Capital Redemption Reserve and Rs 579.49 (Nil) millions from Securities Premium Account].</i>	869.23	243.48
<b>Preference:</b>		
1,500,000 (1,500,000) 10% Cumulative Redeemable Preference Shares of Rs.100/- each fully paid up <i>[See Schedule O, Note 6 (b) (i)]</i>	150.00	150.00
10,000,000 (Nil) 0.01% Cumulative Redeemable Preference Shares of Rs.100/- each fully paid up <i>[See Schedule O, Note 6 (b) (ii)]</i>	1,000.00	-
<b>TOTAL</b>	<b>2,019.23</b>	<b>393.48</b>
<b>SCHEDULE - B : RESERVES AND SURPLUS</b>		
<b>Capital Redemption Reserve</b>		
Transfer from General Reserve as on April 1, 2003	-	10.25
Less: Capitalisation by way of Issue of Bonus Shares	-	10.25
	-	-
<b>Securities Premium Account</b>		
As per last Balance Sheet	-	-
Add: Addition during the year	953.74	-
Less: Capitalisation by way of Issue of Bonus Shares	579.49	-
Less: Share Issue Expenses	75.73	-
	<b>298.52</b>	-
<b>General Reserve</b>		
As per last Balance Sheet	708.49	330.23
Add: Transfer from Consolidated Profit and Loss Account	1,000.00	500.00
	<b>1,708.49</b>	<b>830.23</b>
Less: Transfer to Capital Redemption Reserve	-	10.25
Less: Capitalisation by way of Issue of Bonus Shares	-	111.49
	<b>1,708.49</b>	<b>708.49</b>
<b>Profit and Loss Account</b>		
	<b>5,016.58</b>	<b>2,781.83</b>
<b>TOTAL</b>	<b>7,023.59</b>	<b>3,490.32</b>

## SUZLON ENERGY LIMITED



## Schedules Annexed to and Forming Part of the Accounts

Schedules Forming Part of the Consolidated Balance Sheet

Particulars	As at March 31, 2005	As at March 31, 2004
<b>SCHEDULE - C : SECURED LOANS</b>		
<b>(a) Term Loans</b>		
From Banks and Financial Institutions <i>[See Schedule O Note 6 (d) (i)]</i>	811.43	759.97
From Others <i>[See Schedule O Note 6 (d) (ii)]</i>	531.23	250.00
	<b>1,342.66</b>	<b>1,009.97</b>
<b>(b) Working Capital Facilities from Banks and Financial Institutions</b>		
Rupee Loans <i>[See Schedule O Note 6 (d) (iii)]</i>	2,080.28	863.05
Foreign Currency Loans <i>[See Schedule O Note 6 (d) (iii)]</i>	133.04	0.77
	<b>2,213.32</b>	<b>863.82</b>
<b>(c) Vehicle Loans</b> <i>(Secured against hypothecation of vehicles)</i>	11.20	4.76
<b>TOTAL</b>	<b>3,567.18</b>	<b>1,878.55</b>

## SCHEDULE - D : UNSECURED LOANS

## Long Term

From Other than banks	390.93	215.72
Due within one year Rs. 83.70 millions, (Rs. 43.56 millions)		

## Short Term

1. From Banks	-	75.00
2. From Others	-	214.36
<b>TOTAL</b>	<b>390.93</b>	<b>505.08</b>

## SUZLON ENERGY LIMITED



## Schedules Annexed to and Forming Part of the Accounts

Schedules Forming Part of the Consolidated Balance Sheet

## SCHEDULE - E : FIXED ASSETS

ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at April 1, 2004	Additions	Deductions/ Adjustments	As at March 31, 2005	As at April 1, 2004	For the Year	Deductions/ Adjustments	As at March 31, 2005	As at March 31, 2005	As at March 31, 2004
Goodwill on Consolidation	10.95	1.77	—	12.72	1.10	1.27	—	2.37	10.35	9.85
Freehold Land	47.44	80.36	—	127.80	—	—	—	—	127.80	47.44
Leasehold Land	10.93	0.86	—	11.79	0.12	0.67	(0.04)	0.83	10.96	10.81
Buildings - Factory and Office	680.24	310.41	13.36	977.29	53.83	64.33	(11.88)	130.04	847.25	626.41
Plant and Machinery	821.44	1,008.07	40.41	1,789.10	151.03	300.91	12.61	439.33	1,349.77	670.41
Wind Research and Measuring Equipment	62.66	25.40	8.32	79.74	12.52	44.10	7.88	48.74	31.00	50.14
Computers and Office Equipments	106.00	163.33	0.24	269.09	42.47	41.61	(5.84)	89.92	179.17	63.53
Furniture and Fixtures	67.12	48.55	0.06	115.61	24.20	17.91	(2.76)	44.87	70.74	42.92
Vehicles - Motor Cars and Trucks	50.70	25.10	17.80	58.00	19.95	10.99	4.34	26.60	31.40	30.75
Intangible Assets										
Designs and Drawings	54.74	57.93	22.57	90.10	9.81	6.28	4.24	11.85	78.25	44.93
Software	—	65.64	—	65.64	—	13.13	—	13.13	52.51	—
<b>TOTAL</b>	<b>1,912.22</b>	<b>1,787.42</b>	<b>102.76</b>	<b>3,596.88</b>	<b>315.03</b>	<b>501.20</b>	<b>8.55</b>	<b>807.68</b>	<b>2,789.20</b>	<b>1,597.19</b>
Capital Work-in-Progress									289.40	124.27
<b>TOTAL</b>	<b>1,912.22</b>	<b>1,787.42</b>	<b>102.76</b>	<b>3,596.88</b>	<b>315.03</b>	<b>501.20</b>	<b>8.55</b>	<b>807.68</b>	<b>3,078.60</b>	<b>1,721.46</b>
Previous Year	1,108.36	817.52	13.66	1,912.22	183.57	136.12	4.66	315.03	1,597.19	

## Notes:

- Out of the depreciation charge for the year amounting to Rs. 501.20 (Rs. 136.12) millions, approximately Rs. 7.95 (Rs Nil) millions has been capitalised as part of self manufactured assets. The depreciation charge in the Profit and Loss Account amounting to Rs. 493.25 (Rs. 136.12) millions is the net off of amount capitalised.
- Balances of buildings include Rs. 10.79 (Rs. Nil) millions for which the transfer of property in the name of the Company is pending.
- An amount of Rs. 2.21 millions (Rs. 1.18 millions) towards change in rupee liability consequent to the realignment of rupee value in terms of foreign currency values has been adjusted to the cost of fixed assets/ capital work-in-progress, as required by Schedule VI to the Companies Act, 1956.
- Depreciation cost amounting to Rs. 0.66 millions (Rs. Nil) being pre-operative in nature has been added to pre-operative expenses and capitalised to the operational assets.



# SUZLON ENERGY LIMITED



## Schedules Annexed to and Forming Part of the Accounts

Schedules Forming Part of the Consolidated Balance Sheet

Particulars	As at March 31, 2005	As at March 31, 2004
<b>SCHEDULE - F : INVESTMENTS</b>		
<b>LONG TERM INVESTMENTS (At Cost)</b>		
<b>UNQUOTED</b>		
<b>(i) Government and Other Securities (Non Trade)</b>		
Security Deposited with Government Departments	0.31	0.11
<b>(ii) Trade Investments</b>		
Nil (93,000) 13% Cumulative Redeemable Preference Shares of Rs. 100/- each of Suzlon Windfarm Services Limited	-	9.30
Nil (900,000) 10% Cumulative Redeemable Preference Shares of Rs. 100/- each of Suzlon Windfarm Services Limited	-	90.00
65,000 (65,000) 13% Cumulative Redeemable Preference Shares of Rs. 100/- each of Suzlon Developers Limited	6.50	6.50
99,999 (99,999) 13% Cumulative Redeemable Preference Shares of Rs. 100/- each of Sarjan Realities Limited	10.00	10.00
500,000 (Nil) 10% Cumulative Redeemable Preference Shares of Rs. 100/- each of Suzlon Developers Limited	50.00	-
	<b>66.50</b>	<b>115.80</b>
<b>(iii) Other than Trade Investments</b>		
2,02,900 (2,02,900) Equity Shares of Rs.10/- each of Suzlon Hotels Limited	2.03	2.03
87,000 (87,000) 13% Cumulative Redeemable Preference Shares of Rs.100/- each of Suzlon Hotels Limited	8.70	8.70
Nil (484) 11.70% Secured Redeemable Non-Convertible Regular Return Bonds of Rs. 5,000/- each of Krishna Bhagya Jala Nigam Ltd.	-	2.42
Nil (100) 11% Bonds of series 2003A of Rs. 1,00,000/- each of Maharashtra Krishna Valley Development Corporation	-	10.00
7,550 (5,050) Equity Shares of Saraswat Co-operative Bank Ltd. of Rs. 10/- each fully paid	0.08	0.05
	<b>10.81</b>	<b>23.20</b>
<b>Total Unquoted</b>	<b>77.62</b>	<b>139.11</b>

## SUZLON ENERGY LIMITED



## Schedules Annexed to and Forming Part of the Accounts

Schedules Forming Part of the Consolidated Balance Sheet

Particulars	As at March 31, 2005	As at March 31, 2004
<b>SCHEDULE - F : INVESTMENTS (Contd...)</b>		
<b>QUOTED</b>		
(i) <b>Fully Paid Equity Shares</b>		
Nil (1,755,600) Shares of Rs.10/- each of SNS Textiles Limited	-	26.35
Nil (20,000) Shares of Rs.10/- each of IDBI Bank Ltd.	-	0.40
Nil (2,500) Shares of Rs.10/- each of Elbee Services Ltd.	-	0.67
Nil (300) Shares of Rs.10/- each of GTL Ltd.	-	0.43
Nil (3,500) Shares of Rs.10/- each of Vakrangi Software Ltd.	-	1.49
Nil (5,000) Shares of Rs.10/- each of Integrated Hightech Ltd.	-	0.22
	-	29.56
(ii) <b>Partly Paid Equity Shares</b>		
Nil (1,300) Shares of Rs.10/- each, Rs.5/- paid up of SNS Textiles Limited	-	0.01
<b>Total Quoted</b>	-	29.57
<b>Total Investments</b>	<b>77.62</b>	<b>168.68</b>
Less: Provision for Diminution in Investments	-	25.94
	<b>77.62</b>	<b>142.74</b>
Aggregate Cost of Unquoted Investments	<b>77.62</b>	<b>139.11</b>
Aggregate Cost of Quoted Investments	-	3.63
	<b>77.62</b>	<b>142.74</b>
Aggregate Market Value of Quoted Investments	-	3.67

## SUZLON ENERGY LIMITED



## Schedules Annexed to and Forming Part of the Accounts

Schedules Forming Part of the Consolidated Balance Sheet

Particulars	As at March 31, 2005	As at March 31, 2004
<b>SCHEDULE - G : CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Current Assets</b>		
<b>(a) Inventories</b>		
Raw Materials [Including Goods-in-Transit Rs. 1,075.52 millions (Rs. 528.40 millions)]	4,591.32	1,703.66
Semi Finished Goods and Work-in-Progress	1,028.67	303.68
Finished Goods	31.00	192.96
Land and Land Lease Rights	104.69	10.87
	<b>5,755.68</b>	<b>2,211.17</b>
<b>(b) Sundry Debtors (Unsecured)</b>		
Outstanding for a Period Exceeding Six Months		
Considered Good [See Schedule O, Note 6 (h)]	1,086.15	1,595.80
Considered Doubtful	103.88	4.10
	<b>1,190.03</b>	<b>1,599.90</b>
Others, Considered Good	5,842.74	1,847.00
	<b>7,032.77</b>	<b>3,446.90</b>
Less: Provision for Doubtful Debts	103.88	4.10
	<b>6,928.89</b>	<b>3,442.80</b>
<b>(c) Cash and Bank Balances</b>		
Cash on hand	6.39	1.60
Balance with Scheduled Banks		
- in Current Accounts	195.53	181.32
- in Term Deposit Accounts	804.44	439.88
	<b>999.97</b>	<b>621.20</b>
Balance with Non Scheduled Bank in Current Account	538.28	57.84
	<b>1,544.64</b>	<b>680.64</b>
<b>Loans and Advances (Unsecured and Considered good, except otherwise stated)</b>		
Deposits		
- With Customers as Security Deposit	325.77	488.55
- Others	78.98	33.48
Advance Income Tax	7.41	14.02
Advances Recoverable in Cash or in kind or for Value to be Received *		
- Considered Good	2,835.15	1,248.51
- Considered Doubtful	33.51	40.00
	<b>3,280.82</b>	<b>1,824.56</b>
Less: Provision for doubtful loans and advances	33.51	40.00
	<b>3,247.31</b>	<b>1,784.56</b>
<b>*Advances Include (a) Rs. 4.25 millions (Rs. 3.61 millions) towards Share Application Money pending allotment and (b) Inter Corporate Deposits of Rs. 1,886.35 millions (Rs. 530.17 millions)</b>		
<b>TOTAL</b>	<b>17,476.52</b>	<b>8,119.17</b>

# SUZLON ENERGY LIMITED



## Schedules Annexed to and Forming Part of the Accounts

Schedules Forming Part of the Consolidated Balance Sheet

Particulars	As at March 31, 2005	As at March 31, 2004
<b>SCHEDULE - H : CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors	4,591.25	2,505.82
Acceptances	614.55	106.86
Other Current Liabilities	379.66	176.85
Interest Accrued but not Due	7.60	2.70
Advances from Customers	386.91	197.53
	<b>5,979.97</b>	<b>2,989.76</b>
<b>Provisions</b>		
For Wealth Tax	0.14	0.15
For Income Tax (net)	70.78	3.05
Gratuity, Superannuation and Leave Encashment	10.04	1.93
Generation Guarantee, LD and O & M Warranty	1,596.16	600.07
For Dividend	131.00	175.24
For Tax on Dividend	20.91	23.13
	<b>1,829.03</b>	<b>803.57</b>
<b>TOTAL</b>	<b>7,809.00</b>	<b>3,793.33</b>

## SCHEDULE - I : MISCELLANEOUS EXPENDITURE (To the extent not adjusted or written off)

<b>Preliminary Expenses</b>		
Opening Balance	2.11	2.32
Add: Addition during the year	3.79	0.65
Less: Written off during the year	1.81	0.87
<b>TOTAL</b>	<b>4.09</b>	<b>2.10</b>

## SUZLON ENERGY LIMITED



## Schedules Annexed to and Forming Part of the Accounts

Schedules Forming Part of the Consolidated Profit and Loss Account

Particulars	2004-05	2003-04
<b>SCHEDULE - J : OTHER INCOME</b>		
Interest Received		
From Banks	35.41	18.39
From Others	145.60	120.16
Dividends	3.42	3.38
Profit on Sale of Investments, net	–	5.36
Excess Provision Written Back	3.00	–
Sales of Sales Tax Entitlement	29.91	22.13
Infrastructure Development Income	1.02	–
Miscellaneous Income	16.02	4.21
<b>TOTAL</b>	<b>234.38</b>	<b>173.63</b>

## SCHEDULE - K : COST OF GOODS SOLD

## Consumption of Raw Materials

Opening Stock	1,703.66	770.22
Add: Purchases	14,760.63	5,764.33
	<b>16,464.29</b>	<b>6,534.55</b>
Less: Closing Stock	4,591.32	1,703.66
	<b>11,872.97</b>	<b>4,830.89</b>
<b>Trading Purchases</b>	<b>160.66</b>	<b>640.65</b>
	<b>12,033.63</b>	<b>5,471.54</b>

(Increase) / Decrease in Stocks

## Stock in trade (Opening Balance)

Semi Finished Goods and Work-in-Progress	303.68	82.16
Finished Goods	192.96	492.53
Land and Land Lease Rights	10.87	2.65
	<b>507.51</b>	<b>577.34</b>

## Stock in trade (Closing Balance)

Semi Finished Goods and Work-in-Progress	1,028.67	303.68
Finished Goods	31.00	192.96
Land and Land Lease Rights	104.69	10.87
	<b>1,164.36</b>	<b>507.51</b>

(Increase) / Decrease in Stocks

	<b>(656.85)</b>	<b>69.83</b>
	<b>11,376.78</b>	<b>5,541.37</b>

## SUZLON ENERGY LIMITED



## Schedules Annexed to and Forming Part of the Accounts

Schedules Forming Part of the Consolidated Profit and Loss Account

Particulars	2004-05	2003-04
<b>SCHEDULE - L : OPERATING AND OTHER EXPENSES</b>		
Stores and Spares	70.13	34.91
Power and Fuel	12.53	6.44
Factory Expenses	25.76	18.05
Repairs and Maintenance:		
Plant and Machinery	4.54	5.20
Building	14.70	3.08
Others	17.21	1.15
WTG - O & M and Modification Charges	103.07	51.48
Other Manufacturing and Operating Expenses	3.88	0.97
Operating Lease Charges	-	0.95
Quality Assurance Expenses	86.02	15.59
R & D, Certification and Product Development	33.99	54.22
Rent	49.81	15.45
Rates and Taxes	6.57	2.56
Provision for Maintenance Warranty and Guarantee Expenses	1,029.14	407.85
Insurance	31.10	15.69
Advertisement and Sales Promotion	60.95	56.10
Infrastructure Development Expenses	146.32	17.37
Freight Outward and Packing Expenses	245.93	148.46
Sales Commission	97.78	92.88
Travelling, Conveyance and Vehicle Expenses	160.21	87.97
Communication Expenses	26.57	17.14
Auditors' Remuneration and Expenses	12.59	1.28
Consultancy Charges	78.65	50.54
Charity and Donations	51.73	15.91
Other Selling and Administrative Expenses	233.94	143.28
Exchange Differences, net	36.49	(6.07)
Bad Debts Written off	-	3.93
Provision for Doubtful Debts and Advances	93.30	44.10
Loss on Sale of Investmentst	0.08	-
Loss on Assets Sold / Discarded, net	4.78	6.56
<b>TOTAL</b>	<b>2,737.77</b>	<b>1,313.04</b>

**SCHEDULE - M : EMPLOYEES' REMUNERATION AND BENEFITS**

Salaries, Wages, Allowances and Bonus	550.79	248.55
Contribution to Provident and Other Funds	22.35	10.53
Staff Welfare Expenses	44.65	10.29
<b>TOTAL</b>	<b>617.79</b>	<b>269.37</b>

**SCHEDULE - N : FINANCIAL CHARGES**

Interest:		
Fixed Loans	120.17	95.46
Others	232.32	120.07
Bank Charges	105.76	60.10
<b>TOTAL</b>	<b>458.25</b>	<b>275.63</b>

# SUZLON ENERGY LIMITED



## Schedules Annexed to and Forming Part of the Accounts

Suzlon Energy Limited and its Subsidiaries

### SCHEDULE - O : SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF SUZLON FOR THE FINANCIAL YEAR ENDED MARCH 31, 2005

#### 1. Basis of Preparation of Consolidated Financial Statements

The accompanying consolidated financial statements are prepared under the historical cost convention, on an accrual basis of accounting in conformity with accounting principles generally accepted in India, to reflect the financial position of the Company and its subsidiaries.

#### 2. Principles of Consolidation

The consolidated financial statements relate to Suzlon Energy Limited ('the Company') and its subsidiaries (together referred to as 'Suzlon'). The consolidated financial statements have been prepared on the following basis:

- (a) The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances and intra group transactions. The unrealised profits or losses resulting from the intra group transactions have been eliminated as per Accounting Standard 21-Consolidated Financial Statements issued by the Institute of Chartered Accountants of India ('ICAI').
- (b) The excess of the cost to the Company of its investment in the subsidiaries over the Company's portion of equity on the acquisition date is recognised in the financial statements as Goodwill. The Company's portion of the equity in the subsidiaries at the date of acquisition is determined after realigning the material accounting policies of the subsidiaries to that of the parent and adjusting the charge / (reversal) on account of realignment to the accumulated reserves and surplus of the subsidiaries at the date of acquisition.
- (c) The Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any, are made in the consolidated financial statements and are presented in the same manner as the Company's standalone financial statements.

#### 3. Significant Accounting Policies

##### (a) Use of Estimates

The presentation of Financial Statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that may affect the reported amount of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimated.

##### (b) Revenue Recognition

###### Sale of Goods

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the goods are transferred to the customer, as per the terms of the respective sales order.

###### Power Generation Income

Power Generation Income is recognised on the basis of electrical units generated, net of wheeling and transmission loss, as applicable, as shown in the Power Generation Reports issued by the concerned authorities.



# SUZLON ENERGY LIMITED



## Sales Tax Entitlement

Revenues on account of sale of Sales Tax Entitlement Certificates are recognized as per the terms of agreement / arrangement with the concerned parties.

## Service and Maintenance Income

Revenue from annual service and maintenance contracts is recognized on the proportionate basis for the period for which the service is provided net of taxes.

## Lease Rental Income

Lease rental income is recognized on accrual basis taking into consideration the data and facts available upon which the computation of lease rent depends.

## Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. In case of interest charged to customers, interest is accounted for on availability of documentary evidence that the customer has accepted the liability.

## Dividend

Dividend income from investments is recognised when the right to receive payment is established.

## (c) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Own manufactured assets are capitalised inclusive of all direct costs and attributable overheads. Capital Work in Progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertaking, pre-operative expenses are capitalised upon the commencement of commercial production.

The carrying amount of the assets belonging to each cash generating unit ('CGU') are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying amounts exceed the recoverable amount of the assets' CGU, assets are written down to their recoverable amount. Further, assets held for disposal are stated at the lower of the net book value or the estimated net realisable value.

## (d) Intangible Assets

### Research and Development Costs

Development cost incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Any expenditure carried forward is amortized over the period of expected future sales from the related project, not exceeding five years.

The carrying value of development costs is reviewed for impairment annually when the asset is not in use, and otherwise when events and changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

# SUZLON ENERGY LIMITED



## (e) Depreciation / Amortization

Depreciation / Amortisation is provided on the written down value method ('WDV') unless otherwise mentioned, pro-rata to the period of use of assets and is based on management's estimate, of useful lives of the fixed assets or at rates specified in Schedule XIV to the Companies Act 1956 ('the Act'), whichever is higher:

Type of Asset	Rate
Goodwill	Amortised on a straight line basis over a period of ten years
Leasehold Land	Amortised over the period of lease
Office Building	5%
Factory Building	10%
Plant and Machinery	
Single Shift	13.91%
Double Shift	20.87%
Triple Shift	27.82%
Wind Mills	15.33%
Moulds	13.91% or Useful life based on usage
Patterns	30% or Useful life based on usage
Wind Research and Measuring Equipment	50%
Computers and Software	40%
Office Equipment	13.91%
Furniture and Fixture	18.10%
Motor Car and Others	25.89%
Trailers	30%
Intangible Assets	Amortised on a straight line basis over a period of five years

## (f) Inventories

Inventories of raw materials, semi-finished goods, work in progress and finished goods are valued at the lower of cost and estimated net realisable value. Cost is determined on a first-in-first-out basis.

The cost of work-in-progress, semi-finished goods and finished goods includes the cost of material, labour and manufacturing overheads.

Inventories of traded goods are stated at the lower of the cost and net realizable value.

Stock of land and land lease rights is valued at lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is determined by management using technical estimates.

## (g) Investments

Long Term Investments are carried at cost. However, provision is made to recognise a decline, other than temporary, in the value of long term investments.

Current investments are carried at lower of cost and fair value, determined on an individual basis.

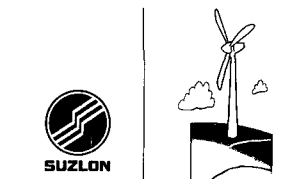
## (h) Foreign Currency Transactions

Transactions in foreign currencies are normally recorded at the average exchange rate prevailing in the month during which the transaction occurred. Outstanding balances of foreign currency monetary items are reported using the closing rate.

Non-monetary items carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rate that existed when the values were determined.

Exchange differences arising as a result of the above are recognised as income or expense in the Profit and Loss Account, except in case of liabilities incurred for acquiring imported fixed assets, where the differences are adjusted to the carrying amount of such fixed assets in compliance with the Schedule VI of the Act.

# SUZLON ENERGY LIMITED



In case of forward contracts, the difference between the forward rate and the exchange rate, being the premium or discount, at the inception of a forward exchange contract is recognized as income or expense over the life of the contract. Exchange differences on such contracts are recognised in the profit and loss account in the reporting period in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

The financial statements of integral foreign operations are translated as if the transactions of the foreign operations have been those of the Company itself. In case of the Foreign Subsidiaries, revenue items are consolidated at the average rate prevailing during the year. All the monetary assets and liabilities are converted at the rates prevailing at the end of the year. Non-monetary items like Fixed Assets and Inventories, are converted at the average rate prevailing in the month during which the transaction occurred.

## (i) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

## (j) Retirement and Other Employee Benefits

Defined Contributions to provident fund and family pension fund are charged to the Profit and Loss Account on accrual basis and paid to the relevant authorities.

Liabilities with regard to gratuity, where applicable, are determined under Group Gratuity Scheme with Life Insurance Corporation of India ('LIC') and the provision required is determined as per actuarial valuation carried out by LIC, as at the balance sheet date.

Contributions to Superannuation fund with LIC through its employees' trust are charged to the profit and loss account on an accrual basis.

The provision in the books for leave lying to the credit of employees, subject to the maximum period of leave, are made on the basis of actuarial valuation as at the balance sheet date.

## (k) Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when there is a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent Liabilities are disclosed by way of notes to the accounts. Contingent assets are not recognized.

## (l) Income Tax

Tax expense for a year comprises of current tax and deferred tax. Current tax is measured after taking into consideration deductions and exemptions admissible under the provisions of applicable laws.

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets arising on account of unabsorbed depreciation or losses under tax laws are recognised only when there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Deferred tax resulting from timing differences which originate during the tax holiday period but reverse after tax holiday period is recognised in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted by the balance sheet date.

# SUZLON ENERGY LIMITED



## (m) Lease Assets

### Operating Leases

Assets acquired as leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals are charged off to the Profit and Loss Account as incurred.

Initial direct costs in respect of assets given on lease are expensed off in the year in which such costs are incurred.

## (n) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit for the period attributable to Equity Shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of Equity Shares outstanding during the period. The weighted average number of Equity Shares outstanding during the period are adjusted for any bonus shares issued during the year and also after the balance sheet date but before the date the financial statements are approved by the Board of Directors.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to Equity Shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential Equity Shares.

The number of Equity Shares and potentially dilutive Equity Shares are adjusted for bonus shares as appropriate.

## 4. Changes In Accounting Policies / Estimates

- (i) During the current year, the Company has changed its basis for providing for the power generation guarantee from the erstwhile fixed amount per WTG per year to an amount considering various technical factors like wind velocity, grid availability, plant load factor, load shedding, historical data etc. Due to this change in the basis of making the estimate, the Provision for Generation Guarantee expenses for the year is higher by Rs. 147.44 millions and the profit before tax for the year is lower by the same amount.
- (ii) During the current period, the Company has reassessed the estimated useful lives of certain fixed assets like moulds and patterns as well as the obsolescence rate of certain fixed assets due to rapid changes in technology. This reassessment has been factored in changes in the depreciation rates, done through a process of re-estimating the economic useful life of these assets. Due to this change the depreciation for the year is higher by Rs. 114.10 millions and the profit for the year before tax is lower by the same amount.

5. The list of Subsidiary Companies which are included in the consolidation and the Company's effective holdings therein are as under:

Name of the Subsidiary	Country of Incorporation	Effective Ownership in Subsidiaries	
		2004-05	2003-04
AE-Rotor Holding BV	Netherlands	100%	100%
AE-Rotor Techniek BV	Netherlands	100%	100%
Suzlon Energy BV	Netherlands	100%	100%
Suzlon Energy A/S	Denmark	100%	Nil
Suzlon Wind Energy Corporation	USA	100%	100%
Cannon Ball Wind Energy Park	USA	100%	100%
Suzlon Energy Australia Pty. Limited	Australia	100%	100%
Suzlon Energy GmbH	Germany	100%	100%
Suzlon Windfarm Services Limited	India	100%	Nil
Suzlon Green Power Limited	India	100%	100%
Suzlon Generators Private Limited	India	74.91%	Nil
Suzlon Structures Private Limited	India	75%	Nil



## SUZLON ENERGY LIMITED

### 6. Other Notes

- (A) Share issue expenses include expenditure on issue of equity and Preference Shares amounting to Rs. 75.73 (Rs. Nil) millions.
- (B) Terms of Redemption / Conversion of Preference Shares of the Company.
- (i) 1,500,000, 10% Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid are redeemable at par after one year from March 10, 2004, which is the date of allotment, at the option of the Company or the Preference Shareholders as the case may be.
  - (ii) 10,000,000 Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid up carry dividend @ 0.01% p.a. till March, 2007 and 4% p.a. thereafter till the date of redemption, i.e. January 1, 2012. These shares will be either compulsorily redeemed at par if an Initial Public Offering of the Company occurs before December 31, 2005 or shall be converted into Equity Shares of the Company at the option of the Preference Shareholders after December 31, 2005 but before December 31, 2006 at Rs. 525/- per Equity Share or after December 31, 2006 but before January 1, 2012, at Rs. 260/- per Equity Share.
- (C) 29,700 8% Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid of Suzlon Structures Private Limited ('SSPL') are redeemable at par after one year from March 29, 2005, which is the date of allotment, at the option of the Company or of the Preference Shareholders as the case may be. This portion represents the holding by the external Shareholders of SSPL only, other than the Holding Company.
- (D) The details of security for the Secured Loans in Consolidated Financial Statements are as follows:
- (i) Term Loans from Banks and Financial Institutions
    - Rs. 153.76 millions (Rs. 607.29 millions) secured by a first charge on certain immovable and / or movable fixed assets, second charge on current assets and/or personal guarantees of directors in certain cases.
    - Rs. 174.14 millions (Rs. Nil) secured by way of charge on certain WTG's and land appurtenant thereto and personnel guarantee of director.
    - Rs. 82.62 millions (Rs. 152.67 millions) secured by way of Hypothecation of certain Windfarm Projects and Mortgage of Land.
    - Rs. 14.86 millions (Rs. Nil) secured by charge on certain WTG's and Land and personal guarantee of director.
    - Rs. 67.17 millions (Rs. Nil) secured by way of hypothecation of stock and debtors and on specific receivables.
    - Rs. 281.34 millions (Rs. Nil) secured by way of First Charge on certain immovable and moveable Fixed Assets, second charge on Current Assets and personal guarantee of directors.
    - Rs. 37.54 millions (Rs. Nil) Secured by way of hypothecation of certain Windfarm Projects and Mortgage of Land.
  - (ii) Term Loans from Others
 

Secured by a first charge on certain immovable and movable fixed assets, specific security deposits, book-debts, second charge on current assets and personal guarantees of directors in certain cases.
  - (iii) Working Capital Facilities from Banks and Financial Institutions
 

Rupee Loans

    - Rs. 2,028.50 millions (Rs. 863.05 millions) secured by hypothecation of inventories, book-debts and other current assets of the Company, both present and future, first charge on certain immovable fixed assets, second charge on all other immovable fixed assets and personal guarantees of directors in certain cases
    - Rs 51.78 millions (Rs. Nil) Secured by way of hypothecation of inventories, book debts and other current assets of the Company, both present and future, second charge on all other immovable fixed assets and personal guarantee of director.

# SUZLON ENERGY LIMITED



## Foreign Currency Loans

- Rs. 130.93 millions (Rs. Nil) Secured by hypothecation of inventories, book-debts and other current assets of the Company, both present and future, first charge on certain immovable fixed assets, second charge on all other immovable fixed assets and personal guarantees of directors in certain cases
- Rs. 0.29 millions (Rs. 0.77 millions) is secured by way of pledge of Certificate of Deposits.
- Rs. 1.82 millions (Rs. Nil) is secured by way of mortgage of office building at Pipestone, USA.

Further out of the above, term Loans from banks and financial institutions amounting to Rs. 624.10 millions (Rs. 607.29 millions) and working capital facilities from banks and financial institutions amounting to Rs. 2,211.21 millions (Rs. 863.05 millions) are secured by personal guarantee of directors.

- (E) During the year, the Company has retired and disposed off certain fixed assets at various locations. In compliance with Accounting Standard-10 "Accounting for Fixed Assets", issued by the ICAI, these assets have been eliminated from the consolidated financial statements. Consequently, there is a reduction in the gross block as at March 31, 2005 by Rs. 48.73 millions and the corresponding accumulated depreciation as at the same date by Rs. 48.19 millions pertaining to these assets.
- (F) The Company had granted loans aggregating to Rs. 1,364.14 millions to Suzlon Developers Private Limited and aggregating Rs. 1,101.20 millions to Sarjan Realities Private Limited for which the Company had not obtained prior approval of the Central Government as required by Section 295(1) of the Act. However, these loans have been repaid in full as on March 31, 2005.
- (G) Exceptional Items in the previous year ended March 31, 2004 aggregating to Rs. 266.93 millions pertain to Rs. 122.52 millions representing write back of unclaimed creditors and Rs. 144.41 millions representing write back of provision for plant load factor no longer required.
- (H) Balances of Sundry Debtors include Rs. 224.83 millions (Rs. 405.46 millions), which are contractually payable beyond a period of six months from the date of sale.

## (I) Operating Leases

### Premises

The Company has taken certain premises under cancellable operating leases. The total rental expense under cancellable operating leases during the period was Rs. 17.26 millions (Rs. 7.95 millions).

The Company has also taken furnished / non-furnished offices and certain other premises under non-cancellable operating lease agreement ranging for a period of one to five years. The lease rental charge during the year is Rs. 17.67 millions (Rs. Nil) and maximum obligation on long term non-cancellable operating lease payable as per the rentals stated in respective agreement are as follows:

Obligation on Non-cancellable Operating Leases	Amount (Rs. millions)
Not later than one year	31.78
Later than one year and not later than five years	30.21
Later than five years	Nil

## (j) Provisions for Warranties and Guarantees

In pursuance of Accounting Standard-29 ('AS-29') "Provisions, Contingent Liabilities and Contingent Assets" issued by the ICAI, the provisions required have been incorporated in the books of accounts in the following manner:

Particulars	Generation Guarantee	Warranty for Operation & Maintenance	Guarantee for Plant Load Factor	Provision for Liquidated Damages
Opening Balance	179.42	410.65	10.00	-
Additions, net of Utilization	400.37	566.04	(7.00)	39.68
Reversal	-	-	3.00	-
Closing Balance	579.79	976.69	0.00	39.68

# SUZLON ENERGY LIMITED



The provision for Warranty for Operation and Maintenance ('O&M') represents the expected liability on account of field failure of parts of WTG and expected expenditure of servicing the WTG's over the period of free O&M, which varies according to the terms of each sales order.

The provision for Generation Guarantee ('GG') represents the expected claims for generation shortfall expected in future over the life of the guarantee assured. The period of GG varies for each customer according to the terms of the contract. The key assumptions in arriving at the GG provision are wind velocity, plant load factor, grid availability, load shedding, historical data etc.

The Company does not have any obligation on account of Plant Load Factor liabilities and hence the balance amount outstanding has been reversed during the year.

Provision for Liquidated Damages ('LD') represents the expected claims which the Company may need to pay for non-fulfilment of certain commitments as per the terms of the sales order. These are determined on a case to case basis considering the dynamics of each individual sales order and the factors relevant to that sale.

## 7. Break up of the Deferred Tax Asset is Given Below:

Particulars	Deferred Tax Asset / (Liability) as at	
	March 31, 2005	March 31, 2004
<b>A. Deferred Tax Asset:</b>		
Provision for Generation Guarantee, LD and O&M Warranty	285.19	147.82
Provision for Doubtful Debts	21.84	1.03
Unabsorbed Losses	41.53	—
Unabsorbed Depreciation	34.96	—
Others	2.97	0.76
<b>(a)</b>	<b>386.49</b>	<b>149.61</b>
<b>B. Deferred Tax Liability:</b>		
Depreciation	145.43	44.32
<b>(b)</b>	<b>145.43</b>	<b>44.32</b>
<b>C. Deferred Tax Asset (Net) (A - B)</b>	<b>241.06</b>	<b>105.29</b>

### Note:

During the year the company acquired the entire share capital of Suzlon Windfarm Services Limited, whose balances since April 1, 2004, have been consolidated in the books of SEL. The deferred tax liability of Suzlon Windfarm Services Limited as at March 31, 2004 was Rs. 31.65 millions.

8. Estimated amount of contracts remaining to be executed on capital accounts and not provided for net of advances Rs. 323.69 millions (Rs. 74.31 millions).
9. **Managerial Remuneration to Directors**

Particulars	2004-05	2003-04
Salaries	8.56	8.04
Perquisites	5.97	1.23
Contribution to Superannuation Fund	1.78	1.25
<b>Total</b>	<b>16.31</b>	<b>10.52</b>

The directors are covered under the Company's scheme for gratuity along with the other employees of the Company. Proportionate amount of gratuity is not included in the aforementioned disclosure.



## SUZLON ENERGY LIMITED



## 10. Earnings Per Share ('EPS')

Particulars	2004-05	2003-04
<b>Basic Earnings per Share (After Exceptional Items)</b>		
<b>Numerator for Basic EPS</b>		
Net Profit after Tax and before exceptional items and Minority Interest	3,651.23	1,182.31
Add: Exceptional Items	-	266.93
Minority Interest	2.11	-
Transferred to Goodwill	-	4.00
Less: Preference Dividend and Dividend Tax	22.37	5.43
(a)	3,629.06	1,447.81
<b>Denominator for Basic EPS</b>		
Weighted average number of Equity Shares (See Note a Below)	(b) 253,005,661	219,130,200
<b>Basic and Diluted Earning per Share of face value of Rs.10/- each (After Exceptional Items) (See Note b Below) (a / b * 1,000,000)</b>	14.34	6.60
<b>Basic Earnings Per Share (Before Exceptional Items)</b>		
<b>Numerator for Basic EPS</b>		
Numerator as per (a) above	3,629.06	1,447.81
Less: Exceptional Items	-	266.93
(c)	3,629.06	1,180.88
<b>Denominator for Basic EPS</b>		
Weighted average number of Equity Shares as per (b) above (See Note a Below)	(d) 253,005,661	219,130,200
<b>Basic and Diluted Earning per Share of face value of Rs. 10/- each (Before Exceptional Items) (See Note b Below) (c / d * 1,000,000)</b>	14.34	5.38

## Notes:

- (a) Of the total equity capital of 86,922,900 Equity Shares, 57,948,600 Equity Shares are issued as bonus shares in the ratio of 2 Equity Shares for every 1 Equity Share held during the financial year 2004-05. After the balance sheet date, on June 16, 2005, a further issue of 173,845,800 shares was made as bonus shares in the ratio of 2 Equity Shares for every 1 held. These, as per the requirements of Accounting Standard-20 'Earnings per share ('AS-20') issued by the ICAI, have been considered in the computation of weighted average number of shares for computation of EPS.

- (b) As per the requirement of Accounting Standard-20 'Earnings Per Share', issued by the ICAI, the corresponding figures relating to previous reporting period have been restated to give the effect of Bonus shares.

In respect of bonus shares on those Equity Shares which were issued during the year, the weight of the bonus shares has been considered as outstanding from the date the consideration for the shares on which bonus shares issued was received. Since, these Equity Shares were not existing during the previous year no effect of restatement has been given for the bonus shares on these Equity Shares in the corresponding number of shares of the previous year. The position taken by the Company has also been supported by an independent opinion of an expert.

- (c) As per the terms of agreement with the Preference Shareholders holding 10,000,000 redeemable Preference Shares of Rs. 100/- each (referred to in Schedule O, Note 3b), these Preference Shares, are to be compulsorily redeemed if an IPO occurs before December 31, 2005. Since, the Company is in the process of filing its Offer Document with the Securities and Exchange Board of India ('SEBI'), management considers it reasonably certain that the IPO will occur before December 31, 2005 and hence the redeemable Preference Shares will be redeemed in full. Accordingly, no dilutive effect of these Preference Shares has been considered.



## SUZLON ENERGY LIMITED

In the event that the IPO does not occur before December 31, 2005, the Preference Shareholders will be entitled to convert the Preference Shares at certain specified prices in the future. If the most favourable conversion price to the Preference Shareholders is considered, the diluted EPS for the current year would be Rs. 14.17 per share.

### 11. Contingent Liabilities

Particulars	2004-05	2003-04
Guarantees given on behalf of other companies in respect of loans granted to them by banks	13.95	210.27
Counter guarantees given to the banks against guarantees issued by banks on Company's behalf	19.32	–
Claims against the Company not acknowledged as debts	17.46	14.86
Bills Discounted with banks	33.25	90.25
Uncalled liability on partly paid up shares	–	0.01
Disputed labour cost Liabilities	0.17	0.17
Disputed service tax Liabilities	8.76	–
Bonds / undertakings given by the Company under duty exemption scheme to customs authorities.	51.77	–

### 12. Related Party Disclosures

#### (A) Related Parties with whom transactions have taken place during the year

##### (i) Associates

Suzlon Developers Limited, Sarjan Realities Limited

##### (ii) Entities where Key Management Personnel ('KMP') / Relatives of Key Management Personnel ('RKMP') has significant influence

Suzlon Gujarat Windpark Limited, Sarjan Infrastructure Finance Limited, Suzlon Capital Limited, Sarjan Engitech Private Limited, SNS Textiles Limited, Suzlon Hotels Limited, Suzlon Power Infrastructure Private Limited

##### (iii) Key Management Personnel

Tulsi R. Tanti, Vinod R. Tanti, Girish R. Tanti, Balrajsinh A. Parmar

##### (iv) Relatives of Key Management Personnel

Gita T. Tanti, Pranav T. Tanti, Nidhi T. Tanti, Sangita V. Tanti, Rajan V. Tanti, Jitendra R. Tanti, Rambhaben Ukabhai, Isha G. Tanti, Sheela B. Parmar, Ranjitsinh A. Parmar, Amarsinh A. Parmar, Kiritsinh A. Parmar

##### (v) Employee Funds

Suzlon Energy Limited	– Superannuation Fund.
Suzlon Energy Limited	– Employees Group Gratuity Scheme.
Suzlon Windfarm Services Limited	– Superannuation Fund.
Suzlon Windfarm Services Limited	– Employees Group Gratuity Scheme.
Suzlon Green Power Limited	– Superannuation Fund.

## SUZLON ENERGY LIMITED



## (B) Transactions between the Company and Related Parties and the Status of Outstanding Balances as at March 31, 2005

Particulars	Associate	Entities where KMP/ RKMP has significant influence	KMP	RKMP	Employee Funds
<b>Transactions</b>					
Purchase of Fixed Assets	0.38 (5.00)	— —	— —	— —	— —
Sale of Fixed Assets	0.24 —	— —	1.62 —	1.04 —	— —
Subscription to / Purchase of Preference Shares	50.00 —	1.30 (90.00)	24.53 —	27.94 —	— —
Subscription to / Purchase of Equity Shares	— —	— —	15.44 (2.09)	39.66 (7.60)	— —
Sale of Investments	— —	12.42 —	— (7.07)	— (3.74)	— —
Loans / Deposit Given	4,445.74 (1,828.03)	0.30 (141.50)	— —	— —	— —
Sale of Goods	361.17 (0.10)	— (301.52)	— —	— —	— —
Purchase of Goods and Services	154.77 (111.39)	37.41 (112.20)	— —	1.75 —	— —
Services Rendered, Compensation and Reimbursement	13.45 —	0.24 —	— —	— —	— —
Interest Received	110.95 (40.05)	0.53 (0.59)	— —	— —	— —
Interest Paid	— —	— (1.09)	— —	— —	— —
Dividend Received / Accrued	2.14 (2.14)	— (1.21)	— —	— —	— —
Dividend Paid	— —	0.16 —	— —	— —	— —
Rent Received	0.52 (1.53)	— (0.02)	— —	— —	— —
Rent / Hotel Charges Paid	— —	4.09 (2.39)	0.06 (0.06)	— —	— —
Managerial Remuneration	— —	— —	16.31 (10.52)	— —	— —
Contribution to Various Funds	— —	— —	— —	— —	15.87 (7.90)



## SUZLON ENERGY LIMITED

(B) Transactions between the Company and Related Parties and the Status of Outstanding Balances as at March 31, 2005  
(Contd...)

Particulars	Associate	Entities where KMP/ RKMP has significant influence	KMP	RKMP	Employee Funds
<b>Outstanding Balances</b>					
<i>Investments</i>	66.50 (16.50)	8.70 (108.00)	— —	— —	— —
Sundry Debtors	112.48 —	— —	— —	0.10 —	— —
Loans / Deposits Outstanding	1,861.35 (474.67)	39.15 (147.00)	— —	— —	— —
Advances / Deposits to Supplier	— —	17.29 —	— —	— —	— —
Sundry Creditors	1.98 (5.98)	1.78 (0.24)	— —	— —	4.49 —
Corporate Guarantees	13.95 (18.58)	— (191.69)	— —	— —	— —
Contribution Payable to Various Funds	— —	— —	— —	— —	0.16 —

# SUZLON ENERGY LIMITED



## (C) Disclosure of Significant Transactions with Related Parties

Type of the Transaction	Type of Relationship	Name of the Entity / Person	2004-05	2003-04
Purchase of Fixed Assets	Associate	Sarjan Realities Limited	0.38	—
Sale of Fixed Assets	KMP	Girish R. Tanti	1.62	—
	RKMP	Ranjitsinh A. Parmar	0.60	—
	RKMP	Amarsinh A. Parmar	0.44	—
Subscription to / Purchase of Preference Shares	Associate	Suzlon Developers Limited	50.00	—
	Entities where KMP/ RKMP has significant influence	Suzlon Windfarm Services Private Limited	—	90.00
Sale of Investments	Entities where KMP/ RKMP has significant influence	Sarjan Infrastructure Finance Limited	12.42	—
	KMP	Vinod Tanti	—	2.60
	KMP	Tulsi Tanti	—	3.44
	RKMP	Jitendra Tanti	—	2.70
Loans / Deposits Given	Associate	Suzlon Developers Limited	2,064.14	897.10
	Associate	Sarjan Realities Limited	2,237.70	930.93
Sale of Goods	Entities where KMP/ RKMP has significant influence	Suzlon Windfarm Services Private Limited	—	300.80
	Associate	Suzlon Developers Limited	361.17	—
Services Rendered, Compensation and Reimbursement	Associate	Suzlon Developers Limited	13.11	—
Purchase of Goods and Services	Entities where KMP/ RKMP has significant influence	Suzlon Windfarm Services Private Limited	—	111.55
	Associate	Suzlon Developers Limited	154.38	111.39
Interest Received	Associate	Sarjan Realities Limited	78.07	31.66
	Associate	Suzlon Developers Limited	31.54	8.39
Interest Paid	Entities where KMP/ RKMP has significant influence	Sarjan Infrastructure Finance Limited	—	1.09
Dividend Received / Accrued	Entities where KMP/ RKMP has significant influence	Suzlon Windfarm Services Private Limited	—	1.21
	Associate	Suzlon Developers Limited	0.84	0.84
	Associate	Sarjan Realities Limited	1.30	1.30
Dividend Paid	Entities where KMP/ RKMP has significant influence	Suzlon Capital Limited	0.16	—
Rent Received	Associate	Suzlon Developers Limited	0.52	1.53



## SUZLON ENERGY LIMITED

### (C) Disclosure of Significant Transactions with Related Parties (Contd...)

Type of the Transaction	Type of Relationship	Name of the Entity / Person	2004-05	2003-04
Rent / Hotel Charges Paid	Entities where KMP/RKMP has significant influence	Suzlon Hotels Limited	1.69	2.39
	Entities where KMP/RKMP has significant influence	Sarjan Engitech Private Limited	2.40	–
Contribution to Various Funds	Employee Funds	Suzlon Energy Limited – Superannuation Fund	8.95	6.14
	Employee Funds	Suzlon Energy Limited – Employees Group Gratuity Scheme	4.49	1.38
	Employee Funds	Suzlon Windfarm Services Limited – Superannuation Fund	1.12	–
	Employee Funds	Suzlon Windfarm Services Limited – Employees Group Gratuity Scheme	0.85	–
	Employee Funds	Suzlon Green Power Limited – Superannuation Fund	0.46	0.38
Managerial Remuneration	KMP	Tulsi Tanti	4.43	1.99
	KMP	Girish Tanti	3.91	2.42
	KMP	Vinod Tanti	3.85	2.53
	KMP	Balrajsinh Parmar	4.12	3.58

## SUZLON ENERGY LIMITED



## 13. Segment Reporting

Suzlon's operations primarily relate to manufacture and sale of WTG's and its parts. Others primarily consist of operation and maintenance revenue from the sale of WTG and power generation revenue from own installed WTG's.

## (a) Primary Business Segment

Particulars	2004-05				2003-04			
	Sale of WTG	Others	Eliminations	Total	Sale of WTG	Others	Eliminations	Total
Total External Sales	19,165.21	259.61	—		8,517.85	57.14	—	
Add:								
Inter Segment Sales	23.49	249.87	(273.36)		—	—	—	
Segment Revenue	19,188.70	509.48	(273.36)	19,424.82	8,517.85	57.14	—	8,574.99
Segment Results	4,135.45	63.78	—	4,199.23	1,305.25	9.83	—	1,315.08
Add / (Less):								
Items to Reconcile with Profit as per Profit and Loss Account								
Add:								
Other Income				234.39				173.64
Less:								
Financial Charges				(458.25)				(275.64)
Preliminary Exp. W/Off				(1.81)				(0.87)
Profit Before Tax and Minority Interest				3,973.55				1,212.22
Provision For Income Tax				489.72				123.97
Deferred Tax				(167.41)				(94.05)
Profit Before Minority Interest				3,651.24				1,449.23
Add:								
Share of Loss of Minority in Subsidiary				2.11				—
Profit after Minority Interest				3,653.35				1,449.23
Add:								
Pre-acquisition Profit of Subsidiary on Additional Investment				—				4.00
Profit for the Year				3,653.35				1453.24
Segment Assets	16,676.76	1,180.18		17,856.94	8,503.21	347.75		8,850.96
Common Assets				3,020.94				1,239.77
Enterprise Assets				20,877.88				10,090.73
Segment Liabilities	7,553.46	184.78	—	7,738.24	3,777.45	12.83		3,790.28
Common Liabilities				4,096.33				2,416.67
Enterprise Liabilities				11,834.57				6,206.95
Capital Expenditure During the Year	1,434.65	513.15	—	1,947.80	917.84	—		917.84
Segment Depreciation	395.01	98.24		493.25	106.19	29.93		136.12
Non Cash Expenses Other than Depreciation	1.45	0.36	—	1.81	0.74	0.13		0.87





## SUZLON ENERGY LIMITED

### (b) Geographical Segment

Particulars	2004-05				2003-04			
	India	USA	Others	Total	India	USA	Others	Total
Segment Revenue	19,361.38	63.44	–	19,424.82	7,581.40	993.59	–	8,574.99
Segment Assets	16,753.76	504.20	598.98	17,856.94	7,640.28	993.17	217.51	8,850.96
Capital Expenditure Incurred	1,893.50	9.28	45.02	1,947.80	901.75	7.07	9.02	917.84

14. All figures have been reported in Rupees millions and have been rounded off to the nearest ten thousand rupees. Prior year amounts were audited by SNK & Co., Chartered Accountants only and have been reclassified wherever necessary to conform with current year's presentation. Figures in the brackets are in respect of the previous year.

Signatures to Schedule 'A' to 'O'

As per our report of even date

**For SNK & CO.**  
Chartered Accountants

*Jasmin B. Shah*  
Partner  
M. No. 46238

Place : Pune  
Date : June 24, 2005

**For S.R. BATLIBOI & CO.**  
Chartered Accountants

*Arvind Sethi*  
Partner  
M. No. 89802

Place : Pune  
Date : June 24, 2005

For and on behalf of the Board of Directors

*Tulsi R. Tanti*  
Chairman & Managing Director

*Hemal A. Kanuga*  
Company Secretary

*Girish R. Tanti*  
Director

Place : Mumbai  
Date : June 24, 2005

## SUZLON ENERGY LIMITED



## Suzlon Energy Limited and its Subsidiaries

### Cash Flow Statement for the Year Ended March 31, 2005

All Amounts in Millions of Rupees Unless Otherwise Stated

Particulars	2004-05	2003-04
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit Before Taxation and Exceptional Items	3,973.55	1,212.22
Add: Exceptional Items	-	266.93
Adjustments for		
Depreciation	493.25	136.12
Loss on Sale of Fixed Assets	4.78	6.56
(Profit) / Loss on Sale of Investments	0.08	(5.36)
Interest Income	(181.01)	(138.55)
Dividend Income	(3.42)	(3.38)
Interest Expense	352.49	215.53
Provision for Bad and Doubtful Debts and Advances	93.30	44.10
Bad Debts Written Off	-	3.93
Adjustments on consolidation	68.11	-
Preliminary Expenses Incurred	-	(0.65)
Preliminary Expenses Written Off	1.81	0.87
Provision for Guarantees and Warranties	1,029.14	407.85
Wealth Tax	0.14	0.15
Operating Profit before Working Capital Changes	5,832.22	2,146.32
Movements in Working Capital		
Decrease / (Increase) in Sundry Debtors	(3,540.87)	(1,623.61)
Decrease / (Increase) in Loans and Advances	(127.39)	(419.08)
Decrease / (Increase) in Inventories	(3,414.15)	(863.61)
(Decrease) / Increase in Current Liabilities and Provisions	2,847.13	997.74
Cash Generated from Operations	1,596.94	237.77
Direct taxes Paid (Net of Refunds)	(415.52)	(119.46)
Net Cash from Operating Activities	1,181.42	118.31
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(1,520.76)	(914.35)
Proceeds from Sale of Fixed Assets	99.07	2.45
Preoperative Expenses Incurred	(4.77)	-
Purchase of Investments	(49.87)	(113.25)
Purchase Consideration Paid for Acquisition of a Subsidiary	(98.10)	-
Deposits with Other Companies	(1,356.17)	(181.38)
Sale of investments	15.96	12.45
Interest Received	209.44	104.99
Dividends Received	3.42	3.38
Net Cash Used in Investing Activities	(2,701.78)	(1,085.71)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Share Capital	2,000.00	150.00
Share Issue Expenses	(75.73)	-
Share Application Money	0.50	-
Redemption of Preference Share Capital	-	(10.25)
Proceeds from Long Term Borrowings	3,416.33	1,528.65
Repayment of Long Term Borrowings	(2,144.08)	(212.35)
Interest Paid	(347.59)	(212.83)
Dividends Paid	(465.06)	(154.91)
Net Cash from Financing Activities	2,384.37	1,088.31
<b>D. NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	864.00	120.91
Cash and Cash Equivalents at the Beginning of the Year	680.64	559.73
Cash and Cash Equivalents at the End of the Year	1,544.64	680.64
Components of Cash and Cash Equivalents as at		
Cash and Cheques on Hand	6.39	1.60
With Scheduled Banks		
On Current Account	195.53	181.32
On Deposit Account	804.44	439.88
With Non-scheduled Banks	538.28	57.84

Notes: 1. Purchase of fixed assets include payments for items in capital work in progress and advances for purchase of fixed assets.

2. Previous years figures have been regrouped / reclassified wherever necessary to confirm to current years presentation.

As per our report of even date

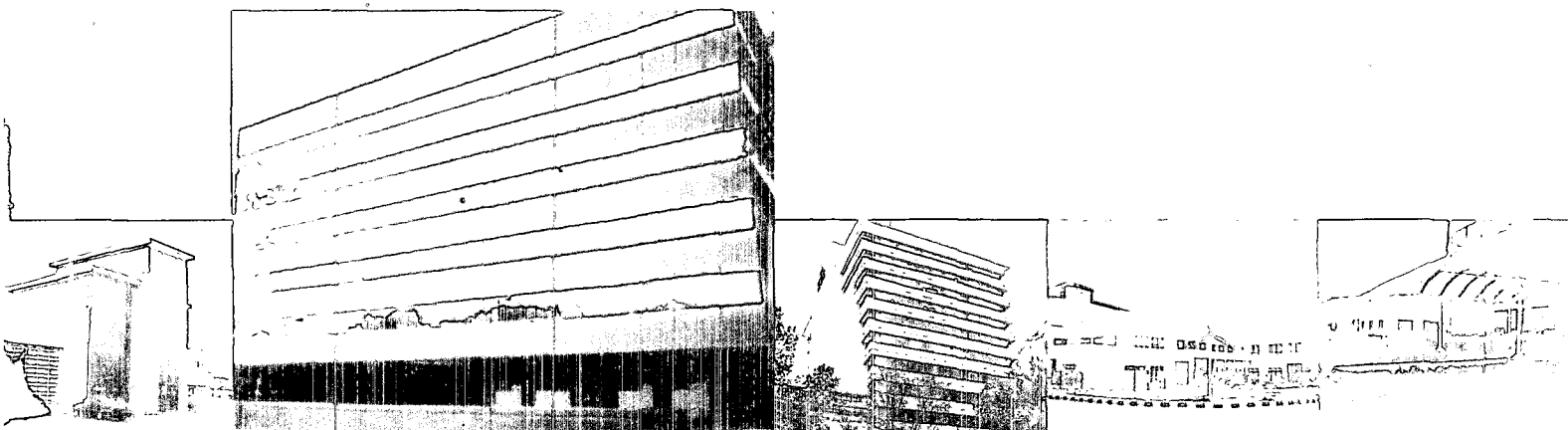
For and on behalf of the Board of Directors

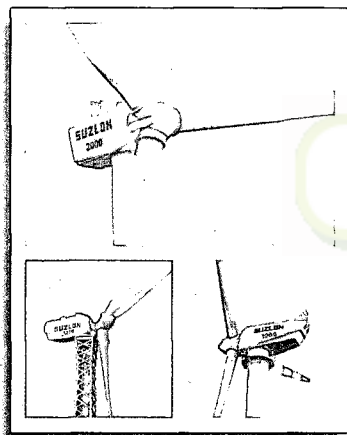
For SNK & CO.  
Chartered AccountantsFor S.R. BATLIBOI & CO.  
Chartered AccountantsTulsi R. Tanti  
Chairman & Managing DirectorJasmin B. Shah  
Partner  
M. No. 46238Arvind Sethi  
Partner  
M. No. 89802Hemal A. Kanuga  
Company SecretaryGirish R. Tanti  
DirectorPlace : Pune  
Date : June 24, 2005Place : Pune  
Date : June 24, 2005Place : Mumbai  
Date : June 24, 2005

Report  junction.com

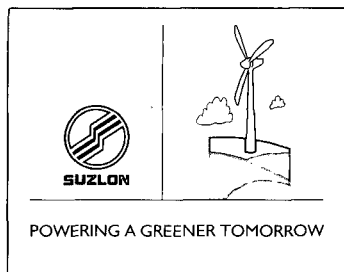


Report  junction.com





Report  junction.com



**SUZLON ENERGY LIMITED**

**Registered Office :**

"Suzlon", 5, Shrimali Society, Near Shri Krishna Complex, Navrangpura, Ahmedabad - 380 009, India

**Corporate Office :**

5th Floor, Godrej Millennium, 9, Koregaon Park Road, Pune - 411 001, India

[www.suzlon.com](http://www.suzlon.com)

[www.reportjunction.com](http://www.reportjunction.com)